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# TRANSCRIPT OF RECORD

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Supreme Court of the United States

OCTOBER TERM, 1941/1942

No. 1029 45

SOLA ELECTRIC COMPANY, PETITIONER,

vs.

JEFFERSON ELECTRIC COMPANY

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT  
OF APPEALS FOR THE SEVENTH CIRCUIT

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PETITION FOR CERTIORARI FILED MARCH 9, 1942.

CERTIORARI GRANTED APRIL 6, 1942.





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JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., APRIL 23, 1942



[fol. 1]

[Placita omitted]

[fol. 2]

**IN DISTRICT COURT OF THE UNITED STATES,  
NORTHERN DISTRICT OF ILLINOIS, EASTERN  
DIVISION**

Civil Action No. 1716

**JEFFERSON ELECTRIC COMPANY, a Corporation,**

**VS.**

**SOLA ELECTRIC COMPANY, a Corporation**

**COMPLAINT—Filed May 27, 1940**

**(Equitable Relief Sought)**

To the Honorable Judges of the United States District Court of the Northern District of Illinois, Eastern Division:

Jefferson Electric Company, having its principal place of business in the Village of Bellwood, County of Cook, and State of Illinois, brings this its complaint against Sola Electric Company, having a place of business at Chicago, Illinois.

Plaintiff for its complaint alleges:

1. Plaintiff is a corporation of the State of Illinois, having a place of business at Bellwood, Cook County, Illinois, and defendant is a corporation of the State of Delaware and has its principal place of business at Chicago, Illinois, and is licensed under the laws of the State of Illinois to do business in the State of Illinois, and has appointed an agent in said state for accepting service on the defendant [fol. 3] corporation pursuant to the statutes of the State of Illinois.

2. The jurisdiction of this court arises by reason of the diversity of citizenship of the parties and by reason of the fact that the amount in controversy, exclusive of interest and costs, exceeds the sum of \$3,000.00.

3. Plaintiff is the owner of United States Letters Patent No. 1,777,256, granted to it September 30, 1930, for im-

provements in transformers, the application for said patent having been filed jointly by James C. Daley, Edward G. Goddard and Joseph G. Sola, on July 16, 1928, and assigned to plaintiff. Profert of said assignment is hereby made.

4. Plaintiff has granted licenses under said patent to several manufacturers, authorizing such licensees to manufacture and sell the patented transformers, included among which licensees is the defendant herein.

5. The license to defendant was granted under date of August 26, 1935; has not been cancelled by either party and inter alia requires the defendant licensee to mark all licensed transformers made by it in accordance with the statute by placing thereon the number of the above mentioned patent, to pay a royalty to the plaintiff based on the net invoice price of all licensed transformers manufactured and sold, to make reports at stated periods as to the number of licensed transformers so manufactured and sold, to select and register with plaintiff a trademark for the purpose of identifying the licensed transformers made by defendant, and to perform other lawful acts, all as will be apparent from the true copy of the license agreement which is attached hereto and marked "Exhibit A" for the purpose of identification.

6. The said license agreements above mentioned, including the said license to the defendant, are of great value to the plaintiff and have constituted and at present constitute a source of substantial income to the plaintiff, and plaintiff reasonably expects such license agreements to be a continued source of such income to it, provided the licensees, including the defendant herein, abide by the provisions of such license agreements.

7. Since the date of the license agreement, defendant, in ostensible compliance with the terms of the said agreement, has from time to time filed reports with plaintiff which purported to set forth the actual number of transformers manufactured and sold by it, has from time to [fol. 4] time paid certain sums on the transformers covered by the said reports, and has affixed the patent marking and the selected trade-mark to some of the licensed transformers sold by it, but the reports so filed were not accurate statements of the actual number of and amounts received for the licensed transformers made and sold by

defendant during the period covered by the reports, defendant has not paid all royalty due to plaintiff on the reported transformers, and large numbers of licensed transformers have been made and sold by defendant without any report having been made thereon to the plaintiff and without any royalty having been paid thereon to the plaintiff, as required by said license agreement.

8. Plaintiff is informed and believes and therefore avers that while ostensibly operating under said license agreement, defendant has manufactured and sold modified transformers upon which no royalties have been paid, that such modified transformers are in fact the equivalent of the patented transformers and fall within the provisions of said license agreement; or, in the alternative, plaintiff avers that defendant, while enjoying the advantages and privileges of said license, has wrongfully and deceitfully represented, directly or by implication, to customers, some of whom had previously purchased licensed transformers from defendant which bore the said identifying trade-mark of licensed transformers, that said modified transformers were licensed transformers, that defendant placed on such modified transformers the said trade-mark which identifies the licensed transformers of defendant and that defendant sold such modified transformers with the said trade-mark thereon as licensed transformers, and otherwise has constructed, packaged and, in general, dressed said modified transformers to resemble the transformers upon which royalties were paid, without, however, reporting said sales to plaintiff and without payment of royalties thereon, and has thereby unjustly profited and enriched itself and caused loss to the plaintiff.

9. Plaintiff has but recently discovered the above violations of the license agreement and the deceitful practices of defendant complained of, has protested several times to the defendant against the continuances of the same, but notwithstanding such protests the defendant has and now is persisting in the violation of said license agreement and in its deceptive and unjust practices, thereby causing [fol. 5] great loss to the plaintiff and jeopardizing its income from its other licensees.

10. Plaintiff further avers that Joseph G. Sola, one of the co-inventors of patent No. 1,777,256, on which the said



license agreement is based, and who joined in the assignment to plaintiff of the invention covered by said patent, is now and has been an officer of the defendant corporation, Sola Electric Company, and active in its management since prior to the date of said license agreement.

11. Plaintiff further alleges that said license agreement provides that plaintiff, or his duly authorized agent or attorney, shall have access to the books of the Sola Electric Company insofar as the same shall be pertinent to said license agreement, that plaintiff has demanded access to such books and has been accorded access only to certain of the pertinent records of defendant, and upon information and belief states that other books or records pertinent to the subject matter of this agreement are in existence, but plaintiff's duly authorized agent has been denied access to the same.

12. Plaintiff has in all respects performed all the covenants of said license agreement by it to be performed.

Wherefore, plaintiff prays:

(a) That an injunction, both temporary and perpetual, be issued out of this court, restraining the defendant, its agents, officers, employees, attorneys and others in active concert or in participation with the defendant, from manufacturing and selling licensed transformers without placing on such transformers a patent marking in accordance with the terms of the license agreement, and further enjoining the defendant from placing on transformers upon which royalties are not paid to plaintiff the same or substantially the same trade-mark as, or any trade-mark confusingly similar to, the trade-mark that defendant applies and has applied to the licensed transformers upon which defendant has paid royalties, and from simulating the appearance, dress and packaging of said licensed transformers and from in any manner violating the said license agreement now in force and effect between the parties hereto;

(b) For an order requiring the defendant to pay to the plaintiff the royalties provided for in said license agreement on all transformers manufactured by defendant bearing the selected trade-mark and upon which royalties have not been paid;



[fol. 6] (c) For an accounting of the royalties due to plaintiff under the terms of said license agreement, and for interest upon the sum found to be due;

(d) For damages and for interest thereon;

(e) For costs;

(f) For such other and further relief as this court may deem proper.

Jefferson Electric Company, by James C. Daley.  
Sheridan, Davis & Cargill, Counsel and Solicitors  
for Plaintiff. Thos. H. Sheridan, F. Thrall Brewer,  
Of Counsel, 135 South La Salle Street, Chicago,  
Illinois.

*Duly sworn to by James C. Daley. Jurat omitted in printing.*

## EXHIBIT "A" TO COMPLAINT

### License Agreement

This Agreement, executed in duplicate, this 26th day of August, 1935, by and between Jefferson Electric Company, a corporation of Illinois, (hereinafter called Jefferson Company), having an office and place of business at Bellwood, Illinois, party of the first part, and Sola Electric [fol. 7] Company, a corporation of Delaware (hereinafter called Sola Company), having an office and place of business at Chicago, Illinois, party of the second part Witnesseth:

Whereas, Jefferson Company is the owner of the entire right, title and interest in and to letters patent of the United States No. 1,777,256, issued September 30, 1930, and No. 1,786,422, issued December 30, 1930, for improvements in transformer construction;

Whereas, Sola Company desires to acquire a non-exclusive license to make, use and sell transformers embodying said inventions throughout the United States of America, its territories, dependencies, and possessions;

Now, Therefore, Be It Known That for and in consideration of the sum of One Dollar (\$1.00) paid by said Sola Company to said Jefferson Company, the receipt of which is hereby acknowledged, and in further consideration of

the premises and covenants of this agreement, the parties have agreed as follows, to-wit:

(1) Jefferson Company hereby grants unto the Sola Company a non-exclusive right and license to make, use and sell throughout the United States of America, its territories, dependencies, and possessions, transformers embodying the inventions described and claimed in said Letters Patent and any reissues and extensions thereof, throughout the entire term or terms of said Letters Patent granted or to be granted, unless this agreement should be previously cancelled as hereinafter set forth.

(2) Sola Company agrees to pay Jefferson Company, as royalties or license fees, three per cent (3%) of its net invoice price of transformers embodying the invention or inventions covered by either or both of said patents until the total royalties so paid equal Twenty-Five Thousand Dollars (\$25,000.00); then two per cent (2%) of said net invoice price until Twenty-Five Thousand Dollars (\$25,000.00) additional royalties have been paid; and one per cent (1%) of said net invoice price thereafter. Under this agreement transformers shall be considered to be sold when billed out, or if not billed out, then when delivered, or when paid for, if paid for before delivery; but royalties paid on transformers which are not accepted by the customer shall be credited against further royalty payments to be made hereunder.

(3) On or before the first days of February, May, August and November of each year, the Sola Company shall render a report to Jefferson Company showing the number [fol. 8] of transformers, embodying the inventions covered by the Letters Patent forming the subject matter of this agreement sold by Sola Company during the preceding quarter or three (3) months period, ending respectively on the last days of December, March, June and September of each year, and the amounts received therefor; and with each of said reports Sola Company shall make payment to Jefferson Company of the royalties which shall be due and payable in accordance with the provisions of Paragraph 2 hereof.

(3a) At reasonably frequent times and during usual business hours Jefferson Company or its duly authorized agent or attorney shall have access to the books of said

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Sola Company insofar as the same shall be pertinent to the subject-matter of this agreement, and the Sola Company shall have the right to have a representative present when any examination of the books of the Sola Company shall be made.

(4) Sola Company agrees to mark all transformers which it shall manufacture and sell in the United States, its territories, dependencies, and possessions, and which embody the inventions constituting the subject-matter of this agreement, or any of them, with the word "Patented" or an abbreviation thereof, such as "Pat.", together with the numbers of Letters Patent for the invention or inventions embodied in said transformer, and further agrees to mark on each of said transformers the trade-mark, or other symbol, word, figure or mark (which shall be registered with Jefferson Company) identifying the device as having been manufactured by Sola Company. Jefferson Company will, and its future agreements with other licensees shall provide that they conform to this same practice. Information as to such similar markings used by Jefferson Company or any of its other licensees shall be available to Sola Company when requested from Jefferson Company.

(5) Jefferson Company grants this license on the express condition that the prices, terms, and conditions of sale, for use or sale in the United States of America, its territories, dependencies and possessions, of transformers embodying any invention covered in the said patents, and so long as such devices continue to be covered by said patents, shall be no more favorable to the customer than those which from time to time the Jefferson Company establishes and maintains for its own sales and/or that of its other licensees of similar or competing transformers under such patents, [fol. 9] to such or other similarly situated customer purchasing in like quantities. The Sola Company shall be notified of all such prices, terms, and conditions of sale fixed by the Jefferson Company.

(5a) Subject to the provisions of the preceding paragraph, the prices, terms, and conditions of sale of Jefferson Company may be changed by the Jefferson Company from time to time provided at least sixty (60) days notice be given to Sola Company, prior to the effective date of such changes.

(6) It is agreed that it shall be regarded as a breach of this agreement for either party hereto to reduce the Jefferson Company's sale price or alter the Jefferson Company's selling terms and conditions of sale, directly or indirectly, either through its own organization, its agents, or others, by any device, subterfuge or evasion, or by any means whatever, or to make the price lower or the terms or conditions more favorable than those set forth by the Jefferson Company, except as above provided.

(7) In the event that either party hereto should fail to fulfill any of its covenants as set forth in this agreement, the other party hereto shall have the right to cancel this agreement, and the license granted herein, upon sixty (60) days written notice, unless such default shall be made good within thirty (30) days of the receipt of said notice.

(8) In the event of cancellation of this agreement said Sola Company shall have the right to fill all bona fide orders which it has on its books at the date when such cancellation becomes effective, and shall also have the right to sell all transformers embodying said inventions, or any of them, which shall be on hand or in process of manufacture at the time when such cancellation becomes effective.

9. It is understood and agreed that the license herein granted shall be personal to Sola Company, except that it shall be assignable by Sola Company in the event of a voluntary sale or assignment of the entire business of the Sola Company.

(10) The Jefferson Company agrees that it will bring and diligently prosecute such suits for infringement of the patents under which this license is granted as may reasonably be necessary for enforcing those patents and preventing unlicensed competition.

[Col. 10] (11) Sola Company, at any time after one (1) year from the date hereof, on giving Jefferson Company thirty (30) days' notice in writing to that effect, may terminate this agreement.

(11a) On termination of this agreement, by cancellation or otherwise, the Sola Company shall be restored to all its rights and privileges the same as though this agreement had not been made; provided that such termination shall not affect any of the rights of the Jefferson Company to



proceed against Sola Company for the breach of any of the terms hereof, prior to such termination, nor shall any consent or acquiescence by Jefferson Company in any of the practices of Sola Company, either as to imitation of design or otherwise, in any way estop or be used against Jefferson Company in any action, proceeding, or complaint by Jefferson Company against Sola Company after such termination.

(11b) In the event that any of the claims of any Letters Patent under which a license is granted hereunder are held in any suit for infringement to be invalid or not infringed, or are awarded to another by a court of last resort or by a lower court or tribunal of competent jurisdiction from whose judgment no appeal is taken or certiorari granted within the period allowed therefor, then with respect to any claim so held to be not infringed the construction placed upon the claim by such court shall be followed with respect to acts occurring after the date of entry of the judgment or decree of such court or the issuance of the mandate, and with respect to any claims held invalid or awarded to another, the licensee shall be relieved from including in its reports hereunder transformers shipped, and acts performed, after the date of entry of the judgment or decree, or the issuance of the mandate of such court or tribunal, covered only by such claims, provided, however, that if there are two or more such final judgments, decrees, or mandates with respect to the same claim, the one more favorable to the claim shall be followed if, and so long as there is reasonable ground to believe that that judgment, decree, or mandate is correct.

(11c) If Jefferson Company at any time or times has granted or shall grant any other license under said patents, or either of them, containing terms more favorable to such other Licensee than to Sola Company, then Sola Company shall be entitled, as of the date of such other license, to substitute for this license a license having terms as favorable to Sola Company as those contained in such other license. Jefferson Company at all times shall keep Sola Company fully advised as to the granting of any and all licenses to others under said patents, or either of them, and the terms thereof, and without request shall promptly

furnish to Sola Company copies of all such licenses and any and all modifications or changes therein.

In Witness Whereof, each of the parties hereto has caused this instrument to be executed in duplicate by the signature and attestation of its proper officers, and the attachment of its corporate seal hereto, on the day and year first above written.

Jefferson Electric Company, By J. C. Daley, Vice-President. (Corporate Seal.)

Attest:

Lewis V. Jenkins, Secretary. Sola Electric Company,  
By A. R. Johnson, President. (Corporate Seal.)

Attest:

John R. Fisher, Secretary.

August 26, 1935.

Sola Electric Company, Chicago, Illinois.

GENTLEMEN:

Referring to the license agreement we have entered into with you of even date herewith; in order to make more definite a question of procedure under the agreement as drawn, it is understood that inasmuch as an outstanding license agreement with another licensee gives said other licensee thereunder the privilege of examining the books of the Jefferson Electric Company, the Sola Company, so long as such other licensee enjoys said privilege, shall have the right at reasonably frequent times and during usual business hours, by its duly authorized agent or attorney to have access to the books of the Jefferson Company for the sole purpose of ascertaining whether or not the Jefferson Company has violated the provisions of paragraph 6 of its license agreement with the Sola Company by reducing or making more favorable to its own trade the sales prices, selling terms and/or conditions of sale established by it under its said license agreement with the Sola Company the Jefferson Company having the right to have a representative present when any examination of its books is made.

Yours very truly, Jefferson Electric Company, By  
J. C. Daley, Vice-President.

Accepted:

Sola Electric Company, By A. R. Johnson, President.









Fig. 4.

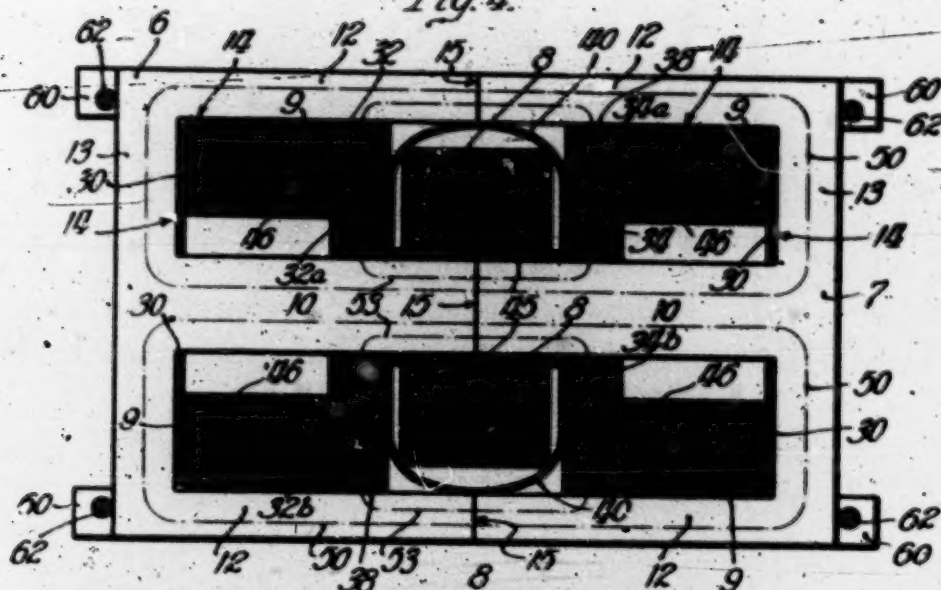


Fig. 5.

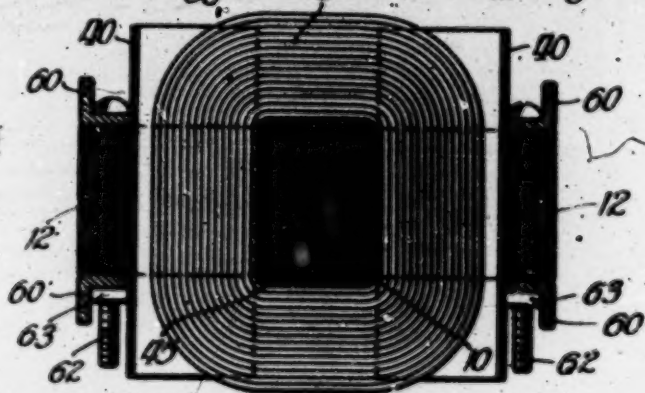
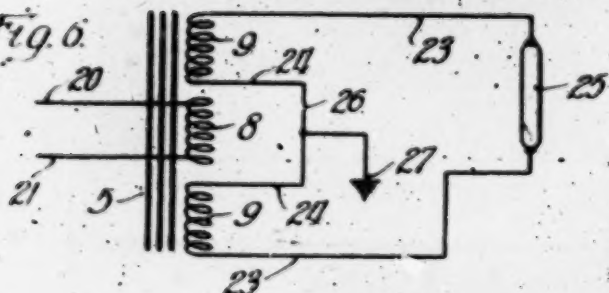


Fig. 6.



Inventors:  
 James C. Daley  
 Edwin G. Goddard  
 Joseph J. Solg.  
 By Brown, Jackson, Bortchko & Allen  
 Attys.



Fig. 7.

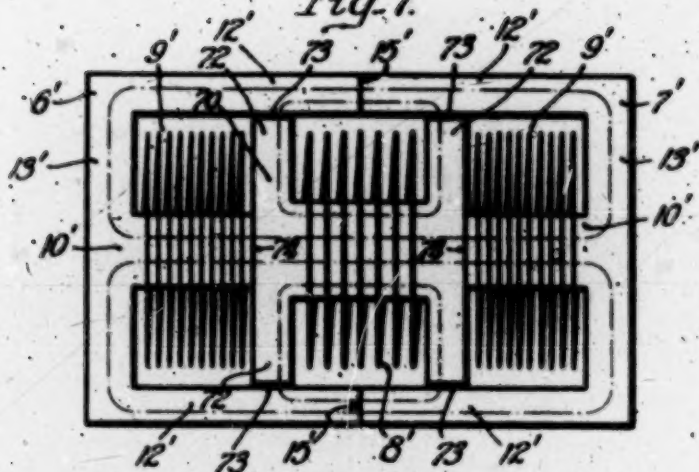
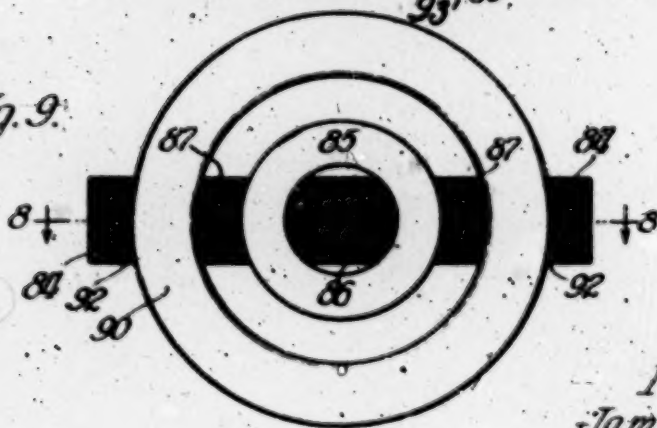


Fig. 8.



Fig. 9.



Inventors:  
James C. Daley  
Edwin G. Goddard  
Joseph J. Sofa  
By Brown, Jackson, Gottcher & Co. Attys





TRANSFORMER

Application filed July 16, 1923. Serial No. 233,233.

This invention relates to transformers and may be characterized as an improvement upon the transformer illustrated and described in the co-pending application of James C. Daley and Edwin G. Goddard filed November 11, 1927, Serial No. 232,523.

The present invention has particular utility in connection with gaseous tubes and the like which require relatively high initial or break-down voltages and a lower subsequent or normal operating voltage, but it is to be understood that the invention is not limited to a particular use or purpose, but may be employed for ignition purposes or wherever suitable or desired, as for example, wherever a relatively high initial voltage is desired, followed by a reduced or relatively low voltage for a decrease in load.

Although not limited thereto, the present invention in common with the invention of the co-pending application above referred to, relates particularly to a shell or confined type transformer in which there is practically no effect from adjacent magnetic materials and in which great compactness is permitted, particularly so far as the location or disposition of magnetic materials is concerned. Also in common with the co-pending application above referred to, the present invention provides for obtaining maximum brilliancy and uniform operation. Where thin sheet steel casings are employed, the device is substantially freed of changes thereby and any objectionable vibration and noises are practically eliminated. The rating and operation of the device is not affected by its disposition with respect to its steel housing or casing.

The present invention further provides a better distribution and a better balancing of the magnetic flux density, particularly in the secondary, and a better uniformity in the secondary output and, also, a generally improved and simplified construction that may be produced and assembled economically and expeditiously.

The invention is illustrated in the accompanying drawings, in which—

Fig. 1 is a top plan view of a transformer embodying the present invention;

Fig. 2 is a side elevational view of the transformer shown in Fig. 1;

Fig. 3 is an end view;

Fig. 4 is a sectional view taken on the line 4—4 of Fig. 2;

Fig. 5 is a transverse section taken on the line 5—5 of Fig. 1;

Fig. 6 is a wiring diagram of the transformer illustrated in Figs. 1 to 5;

Fig. 7 is a more or less diagrammatic section similar to Fig. 4 of another embodiment of the invention;

Fig. 8 is a sectional view of another embodiment, taken on the line 8—8 of Fig. 9; and

Fig. 9 is a section taken on the line 9—9 of Fig. 8.

Referring to the drawings, each form of transformer shown is of the shell or confined type having a magnetic envelope which preferably completely surrounds and encloses the coils, and which also preferably encloses the shunt path or paths of the transformer as well.

In Figs. 1 to 5, the core 5 comprises two stacks 6 and 7 of iron or other suitable core laminations. The laminations 6 and 7 are for facility and convenience of similar configuration suitably shaped to form central legs or extensions around which the primary coil 8 and secondary coils 9, 9 are wound and outer legs which form a laminated iron ring or envelope surrounding or enclosing the coils 8 and 9.

While the particular shape or configuration of the laminations 6 and 7 may be varied, these laminations are preferably, and are shown as, of E-shaped form, each having a central or intermediate leg 10 and outer legs 12 extending from a connecting base 13 with coil or winding receiving spaces 14 formed between the central and outer legs of each stack of laminations, these spaces 14 opening from one end of each core stack and being closed at the other end by the base portion 13, which base portions 13, with the outer legs 12, complete the surrounding or confining magnetic envelope.

The transformer is assembled with the end of one core stack 6 from which the spaces

14 open, in opposition to the corresponding end of the other core stack 7 and preferably with the central and outer legs 10 and 12 in register and in abutting contact, as shown particularly in Fig. 4. A closed magnetic ring or envelope divided longitudinally by the central legs 10 is thus formed with butt joints 15 between the ends of the two laminated core stacks 6 and 7. Where we use the expression "butt joint" or "gap" between the stacks 6 and 7 of core laminations in this specification, or in the appended claims, either term is used in a broad sense and we intend that they be interchangeable. In the embodiment of Figs. 1 to 5, the central and outer legs 10 and 12 are of equal length, and the butt joints between the central and outer legs of the core stacks lie in a common transverse plane substantially centrally between the opposite ends of the transformer; although, of course, this may be varied.

The arrangement of the primary and secondary windings 8 and 9 is an important aspect of the present invention. The secondary winding comprises two sides or coils 9, 9 one wound about and encircling the bases of the central legs 10 of one core stack 6, and the other coil 9 being wound about and encircling the bases of the central legs 10 of the other core stack 7. The secondary coils 9, 9, the turns of which pass through the spaces 14 and between the central legs 10 and outer legs 12 of the core stacks, are spaced apart to receive the shunt means and the primary coil 8 which is preferably disposed substantially centrally between the secondary coils or coil sections 9, 9. The primary coil 8 is wound about and encircles the adjacent abutting ends of the central legs 10 of the core stacks 6 and 7 with the turns of the primary winding passing through the spaces 14 and between the abutting ends of the central legs 10 and the abutting ends of the outer confining legs 12.

It will now be apparent that each of the core stacks 6 and 7 has an outer secondary core part and that these stacks have meeting primary core parts which cooperate to form the primary core portion of the transformer. The disposition of the two secondary coils

should it at any time become desirable to do so.

The primary winding 8 is shown as provided with a pair of terminal leads 20 and 21 for connection across or with the opposite sides of an alternating current or other suitable source of current supply (not shown). Although not shown, it is to be understood that the primary coil or winding 8 may be provided with intermediate leads or taps for connecting different voltages with the primary winding, depending upon the voltage required by the gaseous tube or other device connected across the terminals of the secondary coils. The particular manner of connecting the source of current supply across the primary winding and the number of leads or connections therefor may, of course, be varied widely within the scope of the present invention.

Each of the secondary coils 9, 9 is provided with a pair of terminal leads 23 and 24, respectively. The leads 23, 23 are connected across the gaseous tube or other device which is to be supplied from the secondary winding of the transformer. A gaseous tube 25 is shown, more or less diagrammatically in Fig. 6, as connected across the leads 23, 23. The terminal leads 24, 24 are preferably tied or connected together at 26 and the secondary winding is preferably grounded centrally between the coils 9, 9 by grounding the central connection 26 at 27. The ground connection 27 may be through the core or frame of the transformer, in which case the leads 24 may be tied or connected together and with the core or frame, or this ground connection may be made omitted, as desired.

It is to be understood that the turns of the primary and secondary windings are insulated from each other and from the magnetic core, as desired, and in any suitable or preferred manner, as well understood in the art. Each of the secondary coils are shown as enclosed in a generally rectangular open ended box-like insulating structure of "micanite" or other suitable insulating material. These structures, designated at 30, form intervening barriers between the secondary coils and the outer legs 12 of the core



The arrangement of the primary and secondary windings 8 and 9 is an important aspect of the present invention. The secondary winding comprises two sides or coils 9, 9 one wound about and encircling the bases of the central legs 10 of one core stack 6, and the other coil 9 being wound about and encircling the bases of the central legs 10 of the other core stack 7. The secondary coils 9, 9, the turns of which pass through the spaces 14 and between the central legs 10 and outer legs 12 of the core stacks, are spaced apart to receive the shunt means and the primary coil 8 which is preferably disposed substantially centrally between the secondary coils or coil sections 9, 9. The primary coil 8 is wound about and encircles the adjacent abutting ends of the central legs 10 of the core stacks 6 and 7 with the turns of the primary winding passing through the spaces 14 and between the abutting ends of the central legs 10 and the abutting ends of the outer confining legs 12.

It will now be apparent that each of the core stacks 6 and 7 has an outer secondary core part and that these stacks have meeting primary core parts which cooperate to form the primary core portion of the transformer. The disposition of the two secondary coils about the two sides of the primary coil 8 results in a balanced secondary winding the current flowing in any one coil of which does not under any short circuit or operating condition exceed the total current of the coils, i. e., the current in the complete secondary winding. The secondary winding cannot under any condition build up more current in one secondary coil than in the complete secondary winding. With the primary coil disposed between the secondary coils, all parts of the secondaries are more uniformly disposed with respect to the primary.

We reserve, of course, the right to correct or supplement the theory of action and ad-

vided with a pair of terminal leads 23 and 24, respectively. The leads 23, 23 are connected across the gaseous tube or other device which is to be supplied from the secondary winding of the transformer. A gaseous tube 25 is shown, more or less diagrammatically in Fig. 6, as connected across the leads 23, 23. The terminal leads 24, 24 are preferably tied or connected together at 26 and the secondary winding is preferably grounded centrally between the coils 9, 9 by grounding the central connection 26 at 27. The ground connection 27 may be through the core or frame of the transformer, in which case the leads 24 may be tied or connected together and with the core or frame, or this ground connection may be made omitted, as desired.

It is to be understood that the turns of the primary and secondary windings are insulated from each other and from the magnetic core, as desired, and in any suitable or preferred manner, as well understood in the art. Each of the secondary coils are shown as enclosed in a generally rectangular open ended box-like insulating structure of "micanite" or other suitable insulating material. These structures, designated at 30, form intervening barriers between the secondary coils and the outer legs 12 of the core stacks, as well as between the secondary coils and the bases 13 of the core stacks. These insulating structures 30 also form intervening insulating barriers between the secondary coils and the shunt means, to be hereinafter referred to.

The shunt means of the present device comprises a pair of shunts designated in their entirety at 32 and 34, respectively. Each shunt 32 and 34 preferably comprises a pair of shunt parts 32<sup>a</sup> and 32<sup>b</sup> and 34<sup>a</sup> and 34<sup>b</sup>, respectively. Each shunt part 32<sup>a</sup>, 32<sup>b</sup> and 34<sup>a</sup> and 34<sup>b</sup> preferably comprises a stack of soft iron or other suitable laminations disposed transversely with respect to the outer

legs 12 of the core stacks 6 and 7 and the laminations of each shunt stack may be suitably bound together as by means of rivets 36. The shunt parts 32<sup>a</sup> and 32<sup>b</sup> are disposed in alignment between the primary coil 8 and one of the secondary coils 9 and in the spaces between the central legs 10 and the outer legs 12 of one core stack, and the other shunt parts 34<sup>a</sup> and 34<sup>b</sup> are similarly disposed between the primary coil 8 and the other secondary coil 9 and between the central and outer legs of the other core stack.

The shunts 32 and 34 provide shunt paths between the outer legs 12 of the core stacks and the central leg 10 and these shunt paths 32 and 34 each preferably has an open circuit reluctance greater than the reluctance of the core proper and are adapted for shunting the primary flux through the primary part of the core when the reluctance of the secondary core or secondary core parts is increased by the energization of the secondary windings. Each of the shunt parts 32<sup>a</sup>, 32<sup>b</sup>, 34<sup>a</sup> and 34<sup>b</sup> is preferably gapped at its opposite ends from the central and outer legs 10 and 12 as by suitable insulating barriers 38. These insulating barriers which may be of red fiber or other suitable insulating material provide gaps or insulating barriers in each of the shunt stacks, it being understood that, although the particular arrangement shown and described in detail provides two gaps in each shunt stack or part, one gap, or any desired number of gaps, may be provided in each shunt stack, as suitable or preferred. The shunt stacks are insulated from the secondary coils 9 by the adjacent walls of the box-like insulating structures 30 and the primary coil 8 is also preferably enclosed in a suitable insulating structure 40. The particular insulating structure 40 shown comprises a pair of open ended generally arched or channel-shaped barrier separated by the central legs 10 with one substantially completely embracing each side of the primary coil and extending from the central leg on one side around the coil to the central leg on the other side.

central legs 10 form a common central flux path for both of the outer sides of the core, these central legs 10 are preferably of greater section than the outer legs 12. This greater section in the central legs may be obtained by making these legs wider and preferably substantially twice as wide as the outer legs 12 as shown, although this may be varied as desired. The relatively great initial intensity thereby produced in the secondary fields provides a high induced initial voltage in the secondary coils 9. This relatively high initial voltage in the secondary windings 9 is particularly desirable in the initial operation or breaking down of, or ionization of, the gases in a Neon or other gaseous tube.

As already pointed out, the shunt paths 32 and 34 each preferably has a reluctance higher than the reluctance of the secondary core portions so that upon initial energization of the primary winding, substantially the entire magnetic flux threads through the core proper to provide the high initial voltage in the secondary windings 9, as referred to, and then upon energization of the secondary coils or windings 9, the opposition set up increases the reluctance of the secondary core proper and thereafter the amount of flux required to saturate the secondary cores. Upon energization of the secondary windings 9 the increase in reluctance of the secondary core portions with the decrease in the amount of flux required to saturate the same causes the magnetic flux threading through the primary core portions to break down or overcome the reluctance of the shunt paths 32 and 34 and at least a part of the primary flux leaks through the shunt paths 32 and 34 and threads back through the primary core portion as indicated by the dot and dash lines 53, 53 in Fig. 4. As already pointed out, the flux threading through and intensity of the secondary field is thereby reduced with an accompanying reduction in the voltage in the secondary windings 9 below the relatively high initial voltage. This is particularly desirable in connection with gaseous tubes and the like where a relatively high initial

primary flux through the primary part of  
the core when the reluctance of the secondary  
core of secondary core parts is increased by  
the energization of the secondary windings.  
Each of the shunt parts 32<sup>a</sup>, 32<sup>b</sup>, 34<sup>a</sup> and 34<sup>b</sup> is  
preferably gapped at its opposite ends from  
the central and outer legs 10 and 12 as by  
suitable insulating barriers 38. These insu-  
lating barriers which may be of red fiber or  
other suitable insulating material provide  
gaps or insulating barriers in each of the  
shunt stacks, it being understood that, al-  
though the particular arrangement shown  
and described in detail provides two gaps in  
each shunt stack or part, one gap, or any de-  
sired number of gaps, may be provided in  
each shunt stack, as suitable or preferred.  
The shunt stacks are insulated from the sec-  
ondary coils 9 by the adjacent walls of the  
box-like insulating structures 30 and the pri-  
mary coil 8 is also preferably enclosed in a  
suitable insulating structure 40. The particu-  
lar insulating structure 40 shown comprises  
a pair of open ended generally arched or  
channel-shaped barrier separated by the cen-  
tral legs 10 with one substantially completely  
embracing each side of the primary coil and  
extending from the central leg on one side  
around the coil to the central leg on the other  
side.

These insulating barriers 40 may also be  
of red fiber or other suitable insulating ma-  
terial and they insulate the primary coil from  
the shunt parts, as well as from the outer  
legs 12 of the core stacks. Internally, the  
primary and secondary coils may be suitably  
insulated at 45 and 46, respectively, from the  
central legs 10 of the core.

In operation, the alternating or other suit-  
able exciting current or current supply is  
applied across the terminals 20 and 21, for ex-  
ample, of the primary coil 8. Upon initial  
energization of the primary winding 8 sub-  
stantially the entire magnetic flux threads  
through the primary and secondary core  
parts, as indicated diagrammatically by the  
dot and dash lines 50 in Fig. 4. In that the

than the reluctance of the secondary core  
portions so that upon initial energization of  
the primary winding, substantially the en-  
tire magnetic flux threads through the core  
proper to provide the high initial voltage in  
the secondary windings 9, as referred to, and  
then upon energization of the secondary coils  
or windings 9, the opposition set up increases  
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and thereafter the amount of flux required  
to saturate the secondary cores. Upon ener-  
gization of the secondary windings 9 the in-  
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flux required to saturate the same causes the  
magnetic flux threading through the primary  
core portions to break down or overcome the  
reluctance of the shunt paths 32 and 34 and  
at least a part of the primary flux leaks  
through the shunt paths 32 and 34 and threads  
back through the primary core portion as in-  
dicated by the dot and dash lines 53, 53 in  
Fig. 4. As already pointed out, the flux  
threading through and intensity of the sec-  
ondary field is thereby reduced with an ac-  
companying reduction in the voltage in the  
secondary windings 9 below the relatively  
high initial voltage. This is particularly  
desirable in connection with gaseous tubes  
and the like where a relatively high initial  
voltage is required and where thereafter the  
voltage required to operate or maintain the  
tube lighted is less.

The device may be designed to proportion,  
as desired, the leakage back through the  
shunt paths with respect to the flux which  
threads through the secondary core portions,  
by means of which the voltage which follows  
the relatively high initial voltage may be re-  
duced as desired and effectively controlled.  
To this end the shunt stacks 32<sup>a</sup>, 32<sup>b</sup>, 34<sup>a</sup> and  
34<sup>b</sup> may be adjustably mounted between the  
legs 10 and 12 of the core, preferably as  
shown, by means of a pressed fit between said  
legs 10 and 12, although, of course, the par-  
ticular mounting and the particular manner  
of securing adjustability in these shunt paths



may be varied. The pressed fit of the shunt stacks between the core legs 10 and 12 enables conveniently adjusting the position of the stacks between these legs of the core, and this provides a convenient adjustment for adjusting and rating the device.

In the particular device illustrated, the core stacks 6 and 7 are of substantially the same cross section and the core laminations are standardized, that is, the same laminations are employed in both stacks and these laminations may be standardized with the core laminations of transformers of other types. It is to be understood that the core laminations may be of other configurations than shown and that the laminations of one stack may be of different configuration than the laminations of the other stacks. The cross section of the primary portion of the core may also be greater than the cross section of the secondary portions of the core for the purpose of decreasing the flux required to saturate the secondary core portions and for obtaining what appears to be the additional advantage of decreasing the amount of flux which is shunted through the shunt paths 32 and 34 upon energization of the secondary windings.

This will enable a reduction in the sections of the shunt paths which reduces the spaces between the primary and secondary windings and increases the space allowed for these windings in a device of given size. The size of the windings may thereby be increased in relation to the size of the device and the resulting device is exceedingly compact and the cost is low. Adjustability of the shunt stacks also makes the device particularly flexible for different types of devices and enables the use of the same core iron in different types of devices.

In the embodiment illustrated in Figs. 1 to 5, the laminations of the core stacks 6 and 7 are clamped together along each side by

With the magnetic envelope enclosing both the primary and secondary coils, as well as the internal shunts 32 and 34, there is practically no effect from adjacent magnetic materials.

This permits great compactness, so far as the location of magnetic materials is concerned, and it has been found that an exceedingly uniform operation is obtained. These advantages are particularly important in gaseous tube signs where the conflicting requirements of compactness and maximum brilliancy are imposed. The user of a gaseous tube sign desires uniform operation and if there are great losses in the steel casing, or adjacent or abutting magnetic material, this brilliancy will be objectionably reduced. With the present invention the steel casing produces practically no effect and uniform operation is obtained. In addition, it is unnecessary to make allowance for losses in the casing and other adjacent materials, and objectionable noises are eliminated.

In the embodiment of Fig. 7, the central legs 10' of the core stacks 6' and 7' are shortened and a stack of generally H-shaped laminations 70 are interposed between these shortened legs 10' with the legs 72 of the core stack 70 forming the shunt paths. Gapping barriers 73 are preferably interposed between the shunt legs 72 and the outer legs 12' of the core stack 7'. The butt joints 15' between the outer legs 12' are in a common transverse plane, as before, and the central legs 10' have butt engagement at 74 with the core stack 70, these butts 74 being out of the plane of the butt joints 15'. The primary coil is indicated at 8' in Fig. 7 and the secondary coils or coil parts are indicated at 9', 9'. The results produced with this form of the invention are substantially similar to those produced with the form shown in Figs. 1 to 5.

In the embodiment of the invention illus-

This will enable a reduction in the sections of the shunt paths which reduces the spaces between the primary and secondary windings and increases the space allowed for these windings in a device of given size. The size of the windings may thereby be increased in relation to the size of the device and the resulting device is exceedingly compact and the cost is low. Adjustability of the shunt stacks also makes the device particularly flexible for different types of devices and enables the use of the same core iron in different types of devices.

In the embodiment illustrated in Figs. 1 to 5, the laminations of the core stacks 6 and 7 are clamped together along each side between a pair of clamp bars or brackets 60. These bars or brackets 60 may be of angle iron formation, as shown, and their opposite ends project beyond the closed ends of the core stacks 6 and 7. These projecting ends of the bars or brackets 60 are provided with registering apertures through which extend clamping bolts 62, each provided with a head engageable with one bar or bracket 60 and having threaded engagement at its opposite end with a suitable nut 63 for drawing the bars 60 together and securely clamping the margins of the core stacks 6 and 7 therebetween. The transformer may be arranged in any suitable casing or housing, which has been omitted for the sake of clarity and it may be mounted upon metal brackets or adjacent external magnetic materials without being affected thereby and without any undesirable variation in the action or operation of the device.

stack 70 forming the shunt paths. Gapping barriers 73 are preferably interposed between the shunt legs 72 and the outer legs 12' of the core stacks 7. The butt joints 15' between the outer legs 12' are in a common transverse plane, as before, and the central legs 10' have butt engagement at 74 with the core stack 70, these butts 74 being out of the plane of the butt joints 15'. The primary coil is indicated at 8' in Fig. 7 and the secondary coils or coil parts are indicated at 9', 9'. The results produced with this form of the invention are substantially similar to those produced with the form shown in Figs. 1 to 5.

In the embodiment of the invention illustrated in Figs. 8 and 9, the core comprises a pair of five legged laminated stacks 80 and 82 assembled with the inner open ends of the legs in register and with the central and outer legs in butt contact and with the bases 83 and outer legs 84 forming the magnetic envelope enclosing and confining the coils and shunt paths. The primary coil 85 is shown wound around the central legs 86, but it is to be understood that the primary and secondary coils of this and the preceding embodiments may be reversed or interchanged, as desired, and the shunt legs 87 form the shunt paths. The central legs 86 are preferably of increased section, as shown, because of the threading of the magnetic flux from each side or each end therethrough, and the secondary coil indicated at 90 encircles or surrounds the primary coil 85 and is wound about the shunt legs 87 and through the spaces 92 between said legs 87 and the outer

legs 84. The butt joints between the central and outer legs of one core stack and the central and outer legs of the other core stack are indicated at 93 and the core stacks may be bound together in a suitable frame or otherwise, as desired. The opposing ends of the shunt legs 87 are suitably gapped as indicated at 93.

Upon the initial energization of the primary winding 85 of this embodiment, substantially the entire magnetic flux threads through the primary and secondary core portions as indicated by the dot and dash lines 95 in Fig. 8, and upon the increase in reluctance of the secondary core portions and the decrease in the amount of flux required to saturate the same upon energization of the secondary winding, the magnetic flux threading through the paths indicated diagrammatically at 95 breaks down or overcomes the reluctance of the shunt paths 87 and at least a part of the primary flux leaks through these shunt paths and threads back through the primary portion of the core as indicated at 96, 96 in Fig. 8. To these ends the shunt paths 87, 87 preferably have a reluctance higher than the reluctance of the secondary core portions.

We do not intend, of course, to be limited to the precise details or arrangements shown or described.

We claim:—

1. In a transformer having magnetic core means, the combination of a secondary comprising a pair of secondary coils, a primary coil disposed between said secondary coils and inducing a relatively high voltage therein, and shunt means between the primary coil and the secondary coils for reducing the voltage in the secondary by saturation of the magnetic core.

18  
and a pair of secondary coil parts, the combination of a core having a primary and secondary core portions and a pair of shunt paths, one between the primary coil and each of the secondary coil parts, each having a reluctance greater than the reluctance of the secondary core portions.

5. In a transformer having a primary coil and a pair of secondary coil parts, the combination of a shell type magnetic core having primary and secondary core portions, and a magnetic envelope completely surrounding and enclosing said coils, and a pair of shunt paths each having a reluctance greater than the reluctance of the secondary core portions, said shunt paths being disposed between the surrounding or enclosing portions of the core and being also surrounded and enclosed by said surrounding and enclosing core portions.

6. In a transformer, the combination of a pair of laminated core stacks each having a pair of outer enclosing and central legs in register and in butt contact, primary and secondary coils surrounding the central legs and enclosed by said outer legs, and a pair of shunt paths between said central and outer legs, one on each of the opposite sides of said butt contact.

7. In a transformer, the combination of a pair of generally E-shaped core stocks having primary and secondary core portions and central confined and outer enclosing legs, a pair of secondary coils surrounding the central confined legs and enclosed magnetically by said outer legs, a primary coil disposed between said secondary coils, and a pair of shunt paths one between the primary coil and each of said secondary coils and each forming a shunt path for shunting the flux from the secondary portions of said core stacks after initial energization of the sec-



through the primary portion of the core as indicated at 96, 96 in Fig. 8. To these ends the shunt paths 87, 87 preferably have a reluctance higher than the reluctance of the secondary core portions.

We do not intend, of course, to be limited to the precise details or arrangements shown or described.

We claim:—

1. In a transformer having magnetic core means, the combination of a secondary comprising a pair of secondary coils, a primary coil disposed between said secondary coils and inducing a relatively high voltage therein, and shunt means between the primary coil and the secondary coils for reducing the voltage in the secondary by saturation of the magnetic core.

2. In a transformer having magnetic core means, the combination of a secondary comprising a pair of secondary coils, a primary coil disposed between said secondary coils and inducing a relatively high voltage therein, and means for reducing the voltage in the secondary by saturation of the magnetic core, said means including a pair of internal shunt paths with one interposed between the primary and each of said secondary coils.

3. In a transformer having magnetic core means, the combination of a secondary comprising a pair of secondary coils, a primary coil disposed between said secondary coils and inducing a relatively high voltage therein, and means for reducing the voltage in the secondary by saturation of the magnetic core, said means including a pair of internal shunt paths with one interposed between the primary and each of said secondary coils, and said magnetic core means being of the shell type with a magnetic envelope surrounding and enclosing said coils and said shunt paths.

4. In a transformer having a primary coil

secondary coils surrounding the central legs and enclosed by said outer legs, and a pair of shunt paths between said central and outer legs, one on each of the opposite sides of said butt contact.

7. In a transformer, the combination of a pair of generally E-shaped core stocks having primary and secondary core portions and central confined and outer enclosing legs, a pair of secondary coils surrounding the central confined legs and enclosed magnetically by said outer legs, a primary coil disposed between said secondary coils, and a pair of shunt paths one between the primary coil and each of said secondary coils and each forming a shunt path for shunting the flux from the secondary portions of said core stacks after initial energization of the secondary coils.

8. In a transformer, the combination of a pair of generally E-shaped core stacks having primary and secondary core portions and central confined and outer enclosing legs, a pair of secondary coils surrounding the central confined legs and enclosed magnetically by said outer legs, a primary coil disposed between said secondary coils, a pair of shunt paths one between the primary coil and each of said secondary coils and each forming a shunt path for shunting the flux from the secondary portions of said core stacks after initial energization of the secondary coils, and a grounded connection between said secondary coils.

9. In a transformer, the combination of a pair of laminated core stacks each having a pair of outer enclosing and central legs in register and in butt contact, primary and secondary coils surrounding the central legs and enclosed by said outer legs, a pair of shunt paths between said central and outer legs, one on each of the opposite sides of said

butt contact, said shunt paths comprising laminated stacks having pressed fit between the central and outer legs of said core stacks.

10. In a transformer, the combination of a pair of laminated core stacks each having outer enclosing and central legs in register and in butt contact, secondary coils surrounding the bases of said central legs and enclosed by said outer legs, and a primary coil interposed between said secondary coils, said primary coil surrounding the adjacent abutting ends of said central legs and also enclosed by said outer legs.

11. In a transformer, the combination of a pair of laminated core stacks each having outer enclosing and central legs in register and in butt contact, secondary coils, surrounding the bases of said central legs and enclosed by said outer legs, a primary coil interposed between said secondary coils, said primary coil surrounding the adjacent abutting ends of said central legs and also enclosed by said outer legs, and a pair of shunt paths between said central and outer legs and disposed between the opposite sides of said primary coil and said secondary coils.

12. A transformer including a closed-magnetic core structure, a primary winding on the core structure, a pair of secondary windings on the opposite sides of the primary winding, magnetic shunts on each side of the primary winding providing separate shunts for the fluxes linking the respective secondary windings, each of said shunts including an air gap, whereby when the core is unsaturated the shunts provide a negligible by-pass for the flux produced by the primary winding thereby permitting the induction of a relatively high secondary voltage, and when the core is saturated the shunts provide an appreciable by-pass for the flux, thereby reducing the voltage induced in the secondary winding.

13. Transformer means comprising the combination of magnetic core means, primary coil means, secondary coil means, one of said coil means consisting of a plurality of coil parts, and the other coil means being disposed between said coil parts and in balanced inductive relation thereto, and shunt means disposed between the parts of the plural coil part means and the other coil means for reducing the voltage in the secondary coil means by

and a ground connection between the coil parts of the plural coil part means.

15. Transformer means comprising the combination of magnetic core means, primary coil means, secondary coil means, one of said coil means consisting of a plurality of coil parts, and the other coil means being disposed between said coil parts and in balanced inductive relation thereto, and shunt means disposed between the parts of the plural coil part means and the other coil means for reducing the voltage in the secondary coil means by saturation of the magnetic core, said magnetic core means having a magnetic envelope surrounding and enclosing said coil means.

16. In a transformer, the combination of a pair of laminated core stacks, each having a pair of outer enclosing and central legs in register, a pair of secondary coil parts surrounding the central legs and enclosed by said outer legs, a primary coil disposed between said secondary coil parts and a pair of shunt paths one between the primary coil and each of said secondary coil parts.

17. In a stationary transformer, a magnetic core having secondary core portions, a pair of secondary winding portions, a primary winding disposed between said secondary winding portions, and stationary magnetic shunts one between the primary winding and each of said secondary winding portions, the permeability of the secondary core portions being changed by and substantially inversely with changes in load resistance.

18. A stationary transformer having a magnetic core, a pair of secondary winding portions, a primary winding disposed between said secondary winding portions, and stationary magnetic shunts one between the primary winding and each of said secondary winding portions, said primary and secondary windings being completely enclosed magnetically.

19. A stationary transformer having a magnetic core, a pair of secondary winding portions, a primary winding disposed between said secondary winding portions, stationary magnetic shunts one between the primary winding and each of said secondary winding portions, and a ground connection between the secondary winding portions.



one of said shunts being disposed between each of the parts of the plural coil part means and the other coil means.

21. Transformer means comprising the combination of magnetic core means, primary coil means, secondary coil means, one of said coil means consisting of a plurality of coil parts, and the other coil means being disposed between said coil parts, and shunt means disposed between the parts of the plural coil part means and the other coil means for reducing the voltage in one coil means as the core means becomes saturated, the coil parts of the plural coil part means being connected together uni-directionally.

In witness whereof, we hereunto subscribe our names this 11th day of July, 1928.

JAMES C. DALEY.  
EDWIN G. GODDARD.  
JOSEPH J. SOLA.

and in butt contact, secondary coils, surrounding the bases of said central legs and enclosed by said outer legs, a primary coil interposed between said secondary coils, said primary coil surrounding the adjacent abutting ends of said central legs and also enclosed by said outer legs, and a pair of shunt paths between said central and outer legs and disposed between the opposite sides of said primary coil and said secondary coils.

12. A transformer including a closed-magnetic core structure, a primary winding on the core structure, a pair of secondary windings on the opposite sides of the primary winding, magnetic shunts on each side of the primary winding providing separate shunts for the fluxes linking the respective secondary windings, each of said shunts including an air gap, whereby when the core is unsaturated the shunts provide a negligible by-pass for the flux produced by the primary winding thereby permitting the induction of a relatively high secondary voltage, and when the core is saturated the shunts provide an appreciable by-pass for the flux, thereby reducing the voltage induced in the secondary winding.

13. Transformer means comprising the combination of magnetic core means, primary coil means, secondary coil means, one of said coil means consisting of a plurality of coil parts, and the other coil means being disposed between said coil parts and in balanced inductive relation thereto, and shunt means disposed between the parts of the plural coil part means and the other coil means for reducing the voltage in the secondary coil means by saturation of the magnetic core.

14. Transformer means comprising the combination of magnetic core means, primary coil means, secondary coil means, one of said coil means consisting of a plurality of coil parts and the other coil means being disposed between said coil parts and in balanced inductive relation thereto, shunt means disposed between the parts of the plural coil part means and the other coil means for reducing the voltage in the secondary coil means by saturation of the magnetic core,

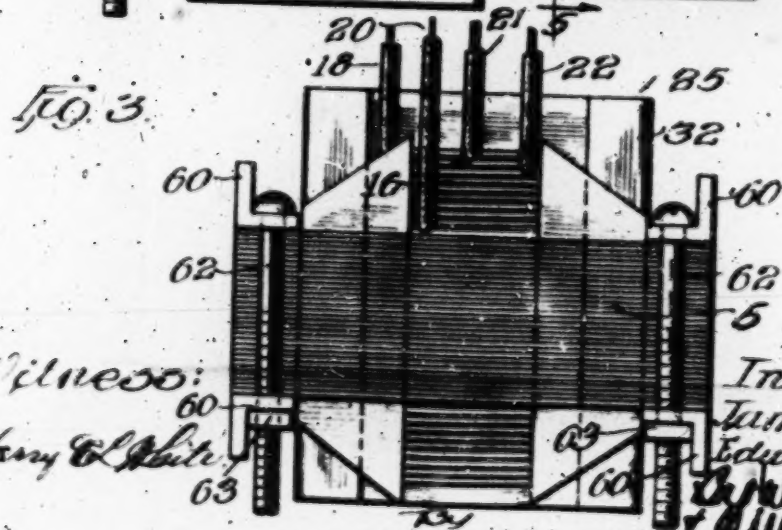
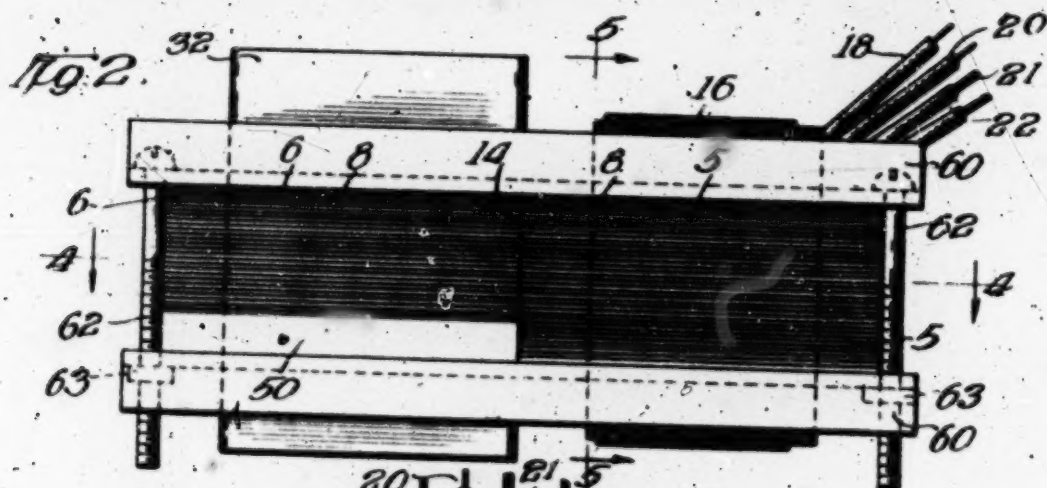
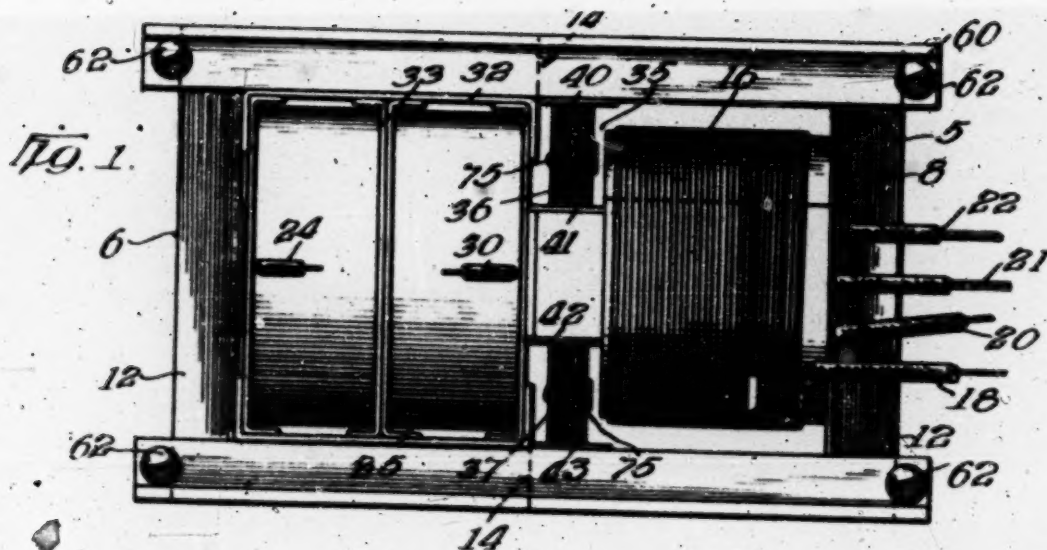
16. In a transformer, the combination of a pair of laminated core stacks, each having a pair of outer enclosing and central legs in register, a pair of secondary coil parts surrounding the central legs and enclosed by said outer legs, a primary coil disposed between said secondary coil parts and a pair of shunt paths, one between the primary coil and each of said secondary coil parts.

17. In a stationary transformer, a magnetic core having secondary core portions, a pair of secondary winding portions, a primary winding disposed between said secondary winding portions, and stationary magnetic shunts one between the primary winding and each of said secondary winding portions, the permeability of the secondary core portions being changed by and substantially inversely with changes in load resistance.

18. A stationary transformer having a magnetic core, a pair of secondary winding portions, a primary winding disposed between said secondary winding portions, and stationary magnetic shunts one between the primary winding and each of said secondary winding portions, said primary and secondary windings being completely enclosed magnetically.

19. A stationary transformer having a magnetic core, a pair of secondary winding portions, a primary winding disposed between said secondary winding portions, stationary magnetic shunts one between the primary winding and each of said secondary winding portions, and a ground connection between the secondary winding portions.

20. In a transformer, the combination of a magnetic core having a surrounding magnetic envelope and a magnetic leg enclosed thereby, primary coil means surrounding said enclosed leg and enclosed by said magnetic envelope, secondary coil means surrounding said enclosed leg and enclosed by said magnetic envelope, one of said coil means consisting of a plurality of coil parts and the other coil means being disposed between said coil parts and relatively stationary shunts enclosed by said magnetic envelope,



Witness:

Harry C. Smith

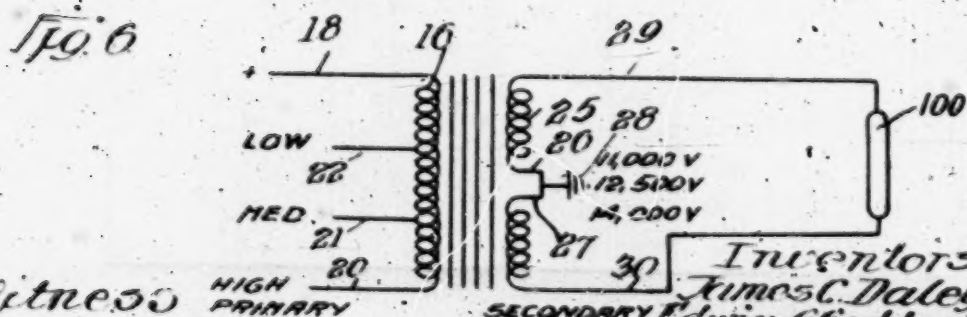
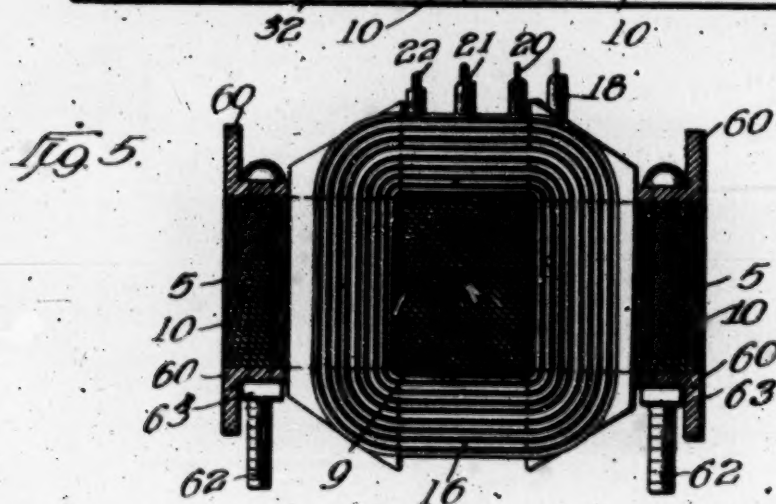
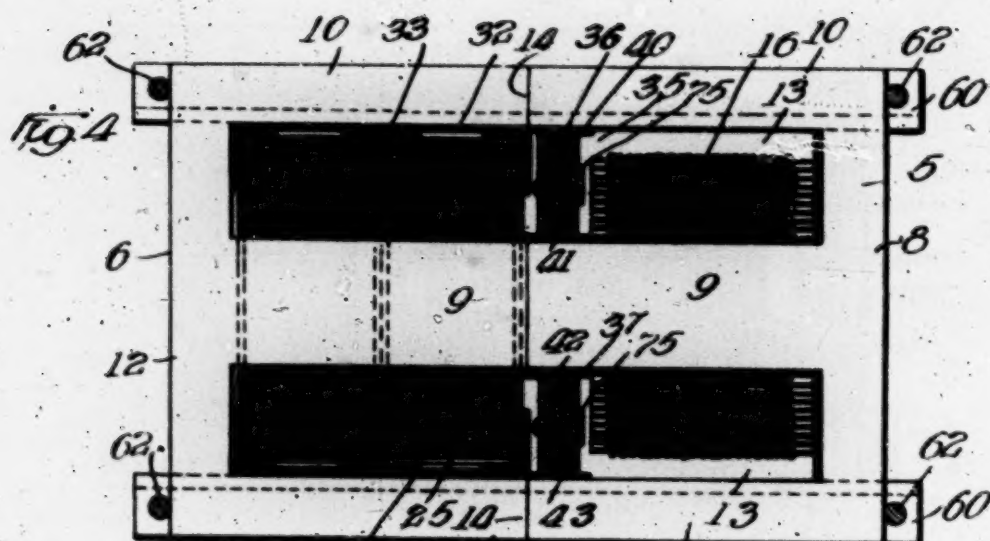
Inventors.

James C. Daley

Edwin G. Giddard

By *John C. Smith*

Attorney



Witness

*Harvey L. White*

By

Inventors  
James C. Daley  
Edwin Goodard  
*Dean, Bottelner & Hinman*



TRANSFORMER

Application filed November 11, 1927. Serial No. 822,522.

This invention relates to improvements in transformers and pertains more particularly to transformers for neon or other gaseous lighting tubes.

These tubes require a relatively high initial or break-down voltage and a lower subsequent or normal operating voltage and it is the object of the present invention to provide a self compensating transformer for providing a relatively high or increased initial or starting voltage and thereafter a reduced or relatively low voltage for the decreased load following the greater initial starting or breakdown load.

While the invention has particular utility in connection with gaseous tubes and the like, it is to be understood that the invention is not limited to a particular use or purpose but may be employed for ignition purposes or wherever suitable or desired, as for example, wherever a relatively high initial voltage is desired followed by a reduced or relatively low voltage for a decrease in load.

According to the present invention, we provide the transformer with a shunt path which shunt path has a reluctance higher than the reluctance of the secondary core, so that upon initial energization of the primary winding substantially the entire magnetic flux spreads through the secondary core and a relatively high initial voltage is induced in the secondary winding. Upon energization of the secondary winding the opposition set up thereby, increases the reluctance of the secondary core beyond the reluctance of the shunt path, whereupon the reluctance of the shunt path is overcome and at least a part of the primary flux leaks through the shunt and threads back and through the primary field. The flux threading through or intensity of the secondary field is thereby reduced with an accompanying reduction in the electromotive force and voltage in the secondary winding. The device may be designed to proportion, as desired, the leakage back through the shunt with respect to the flux which threads through the secondary core, by means of which the voltage which follows the relatively high initial voltage may be reduced as desired and effectively controlled.

We further find that by reducing the cross section of the secondary core below the cross section of the primary core, a natural stricture is produced between the main and secondary fields which stricture when disposed on the secondary side beyond the shunt, with the shunt on the primary side of the core with reference to the reduction in section produces a natural shunting tendency. We find that the smaller cross section of the secondary core enables a reduction in the section of the shunt path, which reduction in the section of the shunt reduces the space between the primary and secondary windings and enables reducing the dimensions of the entire device and increasing the size of the primary and secondary windings. This increases the compactness and efficiency of the device and the smaller section of the secondary core appears to saturate the secondary core to provide a high induced initial voltage, the opposition set up upon energization of the secondary winding apparently increasing the reluctance of the secondary field and decreasing the amount of flux thereafter required to saturate the same.

The present invention also preferably employs a butt joint or gap between the legs of the primary and secondary cores, which butt joint or gap is preferably disposed adjacent the end of the secondary winding and on the secondary side of the shunt and provides an additional retardation to the flux between the primary and secondary cores.

The invention further provides a self-contained, enclosed shunt and a device in which the effect thereon of external magnetic materials adjacent the device, such as metallic housings supporting brackets, or the like, is reduced and in which undesirable variations in the action or operation of the device, such as might be caused by different external magnetic materials are avoided.

Still further objects of the present invention are the provision of a generally improved and simplified construction that may be economically produced and which construction may be standardized for devices of different sizes and for devices of different types.



We reserve, of course, the right to correct or supplement the theory of action and advantages should it at any time become desirable.

The invention is illustrated in the accompanying drawings, in which

Figure 1 is a top plan view of a transformer embodying the invention;

Figure 2 is a side elevational view of the transformer shown in Figure 1;

Figure 3 is an end view;

Figure 4 is a sectional view taken on the line 4—4 of Figure 2;

Figure 5 is a transverse section taken on the line 5—5 of Figure 1; and

Figure 6 is a wiring diagram of the transformer selected for illustration.

Referring to the drawings the transformer shown is of the shell or confined type having a main core 5 and a secondary core 6.

The main and secondary cores 5 and 6 each comprises a plurality of similar stacked laminations 8, said laminations 8 being suitably shaped to form a central extension around which the transformer coils or windings are wound and outer legs which form a laminated iron ring or envelope surrounding or enclosing the coils. While the laminations 8 may be of any desired or preferred form or configuration they are preferably and are shown as of E-shaped form, each having a central or intermediate leg 9 and outer legs 10 extending from a connecting base 12 with coil or winding receiving spaces 13 formed between the central and outer legs of each lamination, these spaces 13 opening from one end of each core stack and being closed at the other end by the base portion 12 of the E-shaped laminations.

The transformer is assembled with the end of the primary core 5 from which the spaces 13 open, in opposition to the corresponding end of the secondary core 6 and with the central and outer legs 9 and 10 in register and preferably in abutting contact. A closed magnetic ring or envelope divided longitudinally by the central legs 9 is thus formed with butt joints 14 between the ends of the legs of the two laminated core stacks. Where we use the expression butt joint or gap between the primary and secondary cores in this specification or in the appended claims, either term is used in a broad sense and we intend that they be interchangeable.

dium and low leads or taps 20, 21 and 22 respectively, for connection with the other side of the source of current depending upon the voltage required by the gaseous tube or other device connected across the terminals of the secondary winding. The particular manner of connecting the source of current across the primary winding and the number of leads or connections therefore may, of course, be varied widely within the scope of the present invention.

While it is to be understood that there may be a plurality of secondary windings and that any suitable or preferred arrangement thereof may be employed, we have, for purposes of illustration shown a single secondary winding 25 wound about or encircling the central leg 9 of the secondary core 6 with the turns of the secondary winding passing through the spaces 13 and between the central leg 9 and outer legs 10 of the secondary core. The secondary coil 25 is shown as being sectionalized centrally at 26 with the sections connected as illustrated diagrammatically at 27 in Figure 6 and grounded through the central connection 27 as shown at 28. The secondary winding 25 is provided with terminal leads 29 and 30 for connection across the gaseous tube or other device which is to be supplied from the secondary winding of the transformer. A gaseous tube 100 is shown more or less diagrammatically in Figure 6 as connected across the leads 29 and 30.

It is to be understood, of course, that the turns of the primary and secondary windings are insulated from each other and from the magnetic core as desired and in any suitable or preferred manner as well understood in the art. The secondary coil or winding 25 shown is inclosed in a generally rectangular open ended box-like insulating structure of "micanite" or other suitable material. This structure designated at 32 forms an intervening insulating barrier between the secondary winding and the outer legs 10 and base 12 of the secondary core, as well as between this winding and the shunt to be hereinafter referred to. This intervening insulating barrier is provided with an insulating partition 33 which may be of similar insulating material and is disposed between the sections of the secondary coils 25.

The shunt designated in its entirety at 35 comprises a pair of transversely laminated

line 4-4 of Figure 2;

Figure 5 is a transverse section taken on the line 5-5 of Figure 1; and:

Figure 6 is a wiring diagram of the transformer selected for illustration.

Referring to the drawings the transformer shown is of the shell or confined type having a main core 5 and a secondary core 6.

The main and secondary cores 5 and 6 each comprises a plurality of similar stacked laminations 8, said laminations 8 being suitably shaped to form a central extension around which the transformer coils or windings are wound and outer legs which form a laminated iron ring or envelope surrounding or enclosing the coils. While the laminations 8 may be of any desired or preferred form or configuration they are preferably and are shown as of E-shaped form, each having a central or intermediate leg 9 and outer legs 10 extending from a connecting base 12 with coil or winding receiving spaces 13 formed between the central and outer legs of each lamination, these spaces 13 opening from one end of each core stack and being closed at the other end by the base portion 12 of the E-shaped laminations.

The transformer is assembled with the end of the primary core 5 from which the spaces 13 open, in opposition to the corresponding end of the secondary core 6 and with the central and outer legs 9 and 10 in register and preferably in abutting contact. A closed magnetic ring or envelope divided longitudinally by the central legs 9 is thus formed with butt joints 14 between the ends of the legs of the two laminated core stacks. Where we use the expression butt joint or gap between the primary and secondary cores in this specification or in the appended claims, either term is used in a broad sense and we intend that they be interchangeable.

Any desired or preferred arrangement of transformer coils or windings may be employed. For the purpose of illustration we have shown a single primary coil or winding 16 wound around or encircling the central leg 9 of the primary core 5 through the spaces 13 and between the central leg 9 and outer legs 10 of the primary core. The primary winding 16 is shown as provided with a terminal lead 18 for connection with one side of the source of current and with high, ab-

be a plurality of secondary windings and that any suitable or preferred arrangement thereof may be employed, we have, for purposes of illustration shown a single secondary winding 25 wound about or encircling the central leg 9 of the secondary core 6 with the turns of the secondary winding passing through the spaces 13 and between the central leg 9 and outer legs 10 of the secondary core. The secondary coil 25 is shown as being sectionalized centrally 26 with the sections connected as illustrated diagrammatically at 27 in Figure 6 and grounded through the central connection 27 as shown at 28. The secondary winding 25 is provided with terminal leads 29 and 30 for connection across the gaseous tube or other device which is to be supplied from the secondary winding of the transformer. A gaseous tube 100 is shown more or less diagrammatically in Figure 6 as connected across the leads 29 and 30.

It is to be understood, of course, that the turns of the primary and secondary windings are insulated from each other and from the magnetic core as desired and in any suitable or preferred manner as well understood in the art. The secondary coil or winding 25 shown is inclosed in a generally rectangular open ended box insulating structure of "micanite" or other suitable material. This structure designated at 32 forms an intervening insulating barrier between the secondary winding and the outer legs 10 and base 12 of the secondary core, as well as between this winding and the shunt to be hereinafter referred to. This intervening insulating barrier is provided with an insulating partition 33 which may be of similar insulating material and is disposed between the sections of the secondary coils 25.

The shunt designated in its entirety at 35 comprises a pair of transversely laminated stacks 36 and 37 disposed between the legs of the primary core 5 adjacent the butt joint 14 and on the primary side. The butt joint 14 is adjacent the primary end of the secondary winding and the shunt path is disposed between the legs of the primary core adjacent the butt joint 14 and on the primary core side as well as between the primary and secondary windings. For the purpose of illustration the shunt stack 36 has an insulating barrier 40 between it and the adjacent outer leg 10 of



the primary core with a similar insulating barrier 41 between the opposite end of the shunt stack 36 and the central or intermediate leg 9 of the primary core and the shunt stack 37 has similar insulating barriers 42 and 43 between the central or intermediate leg of the primary core and one end of the shunt stack 37 and between the opposite end of the shunt stack and the adjacent outer leg 10 of the primary core. These insulating barriers 40, 41, 42 and 43 which may be of red fibre or other suitable insulating material provide gaps or insulating barriers in each of the shunt stacks 36 and 37, it being understood that although the particular arrangement shown and described in detail provides two gaps in each shunt stack, one gap or any desired number of gaps may be provided in each shunt stack as suitable or preferred.

In operation the exciting current is applied across the desired terminals of the primary winding 16. This exciting current is of relatively high electromotive force and upon initial energization of the primary winding substantially the entire magnetic flux threads through the primary and secondary cores and the relative great initial intensity in the secondary field provides a high induced initial voltage in the secondary winding. This relatively high initial voltage in the secondary winding is particularly desirable in the initial breaking down of or ionization of the gases in a neon or other gaseous tube.

The shunt path 35 has a reluctance higher than the reluctance of the secondary core so that upon initial energization of the primary winding substantially the entire magnetic flux threads through the secondary core to provide the high initial voltage in the secondary winding as referred to and then upon energization of the secondary coil or winding, the opposition set up increases the reluctance of the secondary core and thereafter the amount of flux required to saturate the secondary core. Upon energization of the secondary winding the increase in reluctance of the secondary core with the decrease in the amount of flux required to saturate the same causes the magnetic flux threading through the primary core to break down or overcome

back through the shunt path with respect to the flux which threads through the secondary core, by means of which the voltage which follows the relatively high initial voltage may be reduced as desired and effectively controlled.

The cross section of the secondary core 6 is preferably less than that of the primary core. This smaller section in the secondary core may be conveniently provided in the embodiment illustrated by stacking fewer laminations in the secondary core than in the primary core and blocking the reduced height of the secondary core 6 up to the height of the primary core by means of suitable blocks or strips 50 of wood or other suitable insulating material. The reduction in section of the secondary core not only results in saturating the secondary core to provide a high induced initial voltage and decreases the flux required to saturate the secondary core but apparently decreases the amount of flux which is shunted through the shunt path 35 upon energization of the secondary winding. This enables a reduction in the section of the shunt 35 which reduces the space between the primary and secondary windings and increases the space allowed for these windings in a device of given size. The size of the windings may thereby be increased. The resulting device is exceedingly compact and the cost is reduced.

In the particular device illustrated the core laminations are standardized, that is the same laminations are employed in both the primary and secondary cores and these laminations may be standardized with the core laminations of transformers of other types. As already pointed out the transformer of the present invention is not limited to any particular use or purpose but may be employed as and where suitable or desired and may be made up in any desired size.

In the particular embodiment shown the laminations of both the primary and secondary cores are clamped on each side between a pair of clamp bars or brackets 60. These bars or brackets 60 may be of angle iron formation, as shown, and their opposite ends project beyond the closed end of the primary

stantially the entire magnetic flux threads through the primary and secondary cores and the relative great initial intensity in the secondary field provides a high induced initial voltage in the secondary winding. This relatively high initial voltage in the secondary winding is particularly desirable in the initial breaking down of or ionization of the gases in a neon or other gaseous tube.

The shunt path 35 has a reluctance higher than the reluctance of the secondary core so that upon initial energization of the primary winding substantially the entire magnetic flux threads through the secondary core to provide the high initial voltage in the secondary winding as referred to and then upon energization of the secondary coil or winding, the opposition set up increases the reluctance of the secondary core and thereafter the amount of flux required to saturate the secondary core. Upon energization of the secondary winding the increase in reluctance of the secondary core with the decrease in the amount of flux required to saturate the same causes the magnetic flux threading through the primary core to break down or overcome the reluctance of the shunt path and at least a part of the primary flux leaks through the shunt path 35 and threads back through the primary core. As already pointed out the flux threading through and intensity of the secondary field is thereby reduced with an accompanying reduction in the voltage in the secondary winding below the relatively high initial voltage. This is particularly desirable in connection with gaseous tubes and the like where a relatively high initial voltage is required and thereafter the voltage required to operate or maintain the tube lighted is less.

As already pointed out the device may be designed to proportion as desired the leakage

duction in the section of the shunt 35 which reduces the space between the primary and secondary windings and increases the space allowed for these windings in a device of given size. The size of the windings may thereby be increased. The resulting device is exceedingly compact and the cost is reduced.

In the particular device illustrated the core laminations are standardized, that is the same laminations are employed in both the primary and secondary cores and these laminations may be standardized with the core laminations of transformers of other types. As already pointed out the transformer of the present invention is not limited to any particular use or purpose but may be employed as and where suitable or desired and may be made up in any desired size.

In the particular embodiment shown the laminations of both the primary and secondary cores are clamped on each side between a pair of clamp bars or brackets 60. These bars or brackets 60 may be of angle iron formation, as shown, and their opposite ends project beyond the closed end of the primary core at one end and beyond the closed end of the secondary core at the opposite end. These projecting ends of the bars or brackets 60 are provided with registering apertures through which extend clamping bolts 62, each provided with a head engageable with one bar or bracket 60 and having threaded engagement beyond the other bar or bracket with a suitable nut 63 for clamping and securing the assembled core laminations together. The blocks or strips 50 block the secondary core up to the same height as the primary core and the bars or brackets 60 form a common clamping frame for both cores of the transformer



and for binding the two cores together into a unitary device.

The shunt stacks 36 and 37 may have pressed fit between the legs of the primary core 5 or they may be otherwise mounted therebetween. The pressed fit of the shunt stacks 36 and 37 enables conveniently adjusting the position of these stacks between the legs of the primary core which provides a convenient adjustment for adjusting and rating the device.

The transformer may be arranged in any suitable casing or housing which has been omitted for the sake of clarity and it may be mounted upon metal brackets or adjacent external magnetic materials without being affected thereby and without any undesirable variation in the action or operation of the device.

The laminations of the shunt sticks 36 and 37 may be suitably bound or secured together as by means of rivets 75, studs passing through the stacks and headed over or by any other suitable or preferred means.

It is to be understood that the laminations of the primary and secondary cores, although shown alike, may be different from each other with respect to form or type as well as of different sizes relative to each other.

It is also to be understood that the central leg of the secondary core may be of a width less than the width of the central leg of the primary core and where there is a shunt it may be adjustably held in other manners than by means of the pressed fit shown.

It is to be still further understood that the larger cross section primary may be employed with the smaller cross section secondary with the shunt. In this case the greater density in the secondary will provide a self compensation by a flux leakage to atmosphere instead of thru the shunt between the legs of the primary.

With the arrangement illustrated the entire shunt is in the primary and the gap or butt joint between the legs of the primary and secondary cores lies in a common transverse plane.

We claim:—

1. In a transformer having a primary coil for connection with the exciting current, a secondary, primary and secondary cores, and

primary and secondary cores, and a shunt between the legs of the primary core adjacent said joint and on the primary core side.

3. In a transformer having primary and secondary coils, the combination of a primary core, a secondary core, a butt joint between the primary and secondary cores, and a shunt adjacent said joint and on the primary side thereof for shunting the primary flux back through the primary core following energization of the secondary coil.

4. In a transformer having primary and secondary coils, the combination of a primary core, a secondary core having a cross section less than the cross section of the primary core, a butt joint between the primary and secondary cores, and a shunt adjacent said joint and on the primary side thereof for shunting the primary flux back through the primary core following energization of the secondary coil.

5. In a transformer having primary and secondary coils, the combination of a primary core, a secondary core having a cross section less than the cross section of the primary core, a butt joint between the primary and secondary cores, a shunt adjacent said joint and on the primary side thereof for shunting the primary flux back through the primary core following energization of the secondary coil, and a gap in said shunt increasing the open circuit reluctance of the shunt beyond the open circuit reluctance of the secondary core.

6. A transformer comprising primary and secondary coils having separate laminated cores therefor, said cores having central and enclosing legs in register and in butt contact and a shunt between the enclosing and central legs of the primary core adjacent said butt contact and on the primary side, said shunt having an open circuit reluctance greater than the open circuit reluctance of the secondary core.

7. A transformer comprising a laminated primary core, a laminated secondary core of a cross section less than that of the primary core, said cores having central and enclosing legs in register and in butt contact and a shunt between the enclosing and central legs of the primary core adjacent said butt contact and on the primary side, said shunt having an open circuit reluctance greater than the open circuit reluctance of the secondary

with respect to form or type as well as of different sizes relative to each other.

30 It is also to be understood that the central leg of the secondary core may be of a width less than the width of the central leg of the primary core and where there is a shunt it may be adjustably held in other manners than  
35 by means of the pressed fit shown.

It is to be still further understood that the larger cross section primary may be employed with the smaller cross section secondary with the shunt. In this case the greater density in  
40 the secondary will provide a self compensation by a flux leakage to atmosphere instead of thru the shunt between the legs of the primary.

With the arrangement illustrated the entire shunt is in the primary and the gap or butt joint between the legs of the primary and secondary cores lies in a common transverse plane.

We claim:—

50 1. In a transformer having a primary coil for connection with the exciting current, a secondary, primary and secondary cores, and means in said transformer for inducing a relatively high initial voltage in the secondary and for thereafter decreasing the voltage  
55 in the secondary, said means including a shunt path in the primary core and a butt joint between the primary and secondary cores adjacent said shunt and on the secondary side thereof.

60 2. In a transformer having a primary coil for connection with the current supply, a secondary, a primary core, a secondary core having a cross section less than that of the primary core, a butt joint between the pri-

primary flux back through the primary core following energization of the secondary coil, and a gap in said shunt increasing the open circuit reluctance of the shunt beyond the open circuit reluctance of the secondary core.

6. A transformer comprising primary and secondary coils having separate laminated cores therefor, said cores having central and enclosing legs in register and in butt contact and a shunt between the enclosing and central legs of the primary core adjacent said butt contact and on the primary side, said shunt having an open circuit reluctance greater  
10 than the open circuit reluctance of the secondary core.

7. A transformer comprising a laminated primary core, a laminated secondary core of a cross section less than that of the primary core, said cores having central and enclosing legs in register and in butt contact and a shunt between the enclosing and central legs of the primary core adjacent said butt contact and on the primary side, said shunt having an open circuit reluctance greater than the open circuit reluctance of the secondary core.

8. A transformer comprising primary and secondary coils, a laminated primary core, a laminated secondary core of a cross section less than that of the primary core, said cores having central and enclosing legs in register and in butt contact and a shunt between the enclosing and central legs of the primary core adjacent said butt contact and on the primary side, said shunt having an open circuit reluctance greater than the open circuit reluctance of the secondary core.

9. A transformer comprising primary and

secondary coils, a laminated primary core, a laminated secondary core of a cross section less than that of the primary core, said cores having central and enclosing legs in register and in butt contact and a shunt between the enclosing and central legs of the primary core adjacent said butt contact and on the primary side, said shunt having an open circuit reluctance greater than the open circuit reluctance of the secondary core, said shunt comprising laminated shunt stacks interposed between the outer and central legs of the primary core and each insulated at its opposite ends from said legs.

10. A transformer comprising primary and secondary coils, a laminated primary core, a laminated secondary core of a cross section less than that of the primary core, said cores having central and enclosing legs in register and in butt contact and a shunt between the enclosing and central legs of the primary core adjacent said butt contact and on the primary side, said shunt having an open circuit reluctance greater than the open circuit reluctance of the secondary core, said shunt comprising laminated shunt stacks interposed between the outer and central legs of the primary core and each insulated at its opposite ends from said legs, said stacks having pressed fit between said main core legs and being adjustable therebetween.

11. In a transformer having primary and secondary coils, the combination of a generally E-shaped primary core, a generally E-shaped secondary core of a cross section less than the cross section of the primary core and a butt joint between the legs of the cores and lying in a common transverse plane.

12. In a transformer having primary and secondary coils, the combination of a generally E-shaped primary core, a generally E-shaped secondary core and a butt joint between the legs of the cores and lying in a common transverse plane.

13. A transformer comprising primary and secondary coils, a laminated primary core, a laminated secondary core of a cross section less than that of the primary core,

comprising a laminated shunt stack adjustably supported between the legs of the primary core.

15. A transformer comprising primary and secondary coils, a laminated primary core, a laminated secondary core of a cross section less than that of the primary core, said cores having registering legs in butt contact, and a shunt between the legs of the primary core, said shunt having an open circuit reluctance greater than the open circuit reluctance of the secondary core and comprising a laminated shunt stack adjustably supported between the legs of the primary core and having an insulated gap therein.

16. In a transformer having primary and secondary coils, the combination of a shell type magnetic core having a magnetic envelope completely surrounding and enclosing said coils and having a primary core part and a secondary core part, a shunt for the primary core part and having a reluctance greater than the reluctance of the secondary core part, and a butt joint in the coil surrounding envelope of said magnetic core.

17. In a transformer having primary and secondary coils, the combination of a shell type magnetic core having a magnetic envelope completely surrounding and enclosing said coils and having a primary core part and a secondary core part, a shunt for the primary core part and having a reluctance greater than the reluctance of the secondary core part, and a gap in said shunt increasing the open circuit reluctance of the shunt beyond the open circuit reluctance of the secondary core part.

18. A transformer, comprising a pair of laminated magnetic core stacks, each having inner confined and outer enclosing legs in register and in butt contact, primary and secondary coils surrounding the inner confined legs of said core stacks, and an internal and confined shunt between the inner confined and outer enclosing legs of one core stack.

19. A transformer, comprising a pair of



core, a laminated secondary core of a cross section less than that of the primary core, said cores having central and enclosing legs in register and in butt contact and a shunt between the enclosing and central legs of the primary core adjacent said butt contact and on the primary side, said shunt having an open circuit reluctance greater than the open circuit reluctance of the secondary core, said shunt comprising laminated shunt stacks interposed between the outer and central legs of the primary core and each insulated at its opposite ends from said legs, said stacks having pressed fit between said main core legs and being adjustable therebetween.

11. In a transformer having primary and secondary coils, the combination of a generally E-shaped primary core, a generally E-shaped secondary core of a cross section less than the cross section of the primary core and a butt joint between the legs of the cores and lying in a common transverse plane.

12. In a transformer having primary and secondary coils, the combination of a generally E-shaped primary core, a generally E-shaped secondary core and a butt joint between the legs of the cores and lying in a common transverse plane.

13. A transformer comprising primary and secondary coils, a laminated primary core, a laminated secondary core of a cross section less than that of the primary core, said cores having registering legs in butt contact, and a shunt between the legs of the primary core, said shunt having an open circuit reluctance greater than the open circuit reluctance of the secondary core and comprising a laminated shunt stack interposed between the legs of the primary core.

14. A transformer comprising primary and secondary coils, a laminated primary core, a laminated secondary core of a cross section less than that of the primary core, said cores having registering legs in butt contact, and a shunt between the legs of the primary core, said shunt having an open circuit reluctance greater than the open circuit reluctance of the secondary core and

16. In a transformer having primary and secondary coils, the combination of a shell type magnetic core having a magnetic envelope completely surrounding and enclosing said coils and having a primary core part and a secondary core part, a shunt for the primary core part and having a reluctance greater than the reluctance of the secondary core part, and a butt joint in the coil surrounding envelope of said magnetic core.

17. In a transformer having primary and secondary coils, the combination of a shell type magnetic core having a magnetic envelope completely surrounding and enclosing said coils and having a primary core part and a secondary core part, a shunt for the primary core part and having a reluctance greater than the reluctance of the secondary core part, and a gap in said shunt increasing the open circuit reluctance of the shunt beyond the open circuit reluctance of the secondary core part.

18. A transformer, comprising a pair of laminated magnetic core stacks, each having inner confined and outer enclosing legs in register and in butt contact, primary and secondary coils surrounding the inner confined legs of said core stacks, and an internal and confined shunt between the inner confined and outer enclosing legs of one core stack.

19. A transformer, comprising a pair of laminated magnetic core stacks, each having inner confined and outer enclosing legs in register and in butt contact, said core stacks forming primary and secondary core parts, primary and secondary coils surrounding the inner confined legs of said core stacks, and an internal and confined shunt between the inner confined and outer enclosing legs of one core, said shunt having an open circuit reluctance greater than the open circuit reluctance of the secondary core part.

20. In a transformer having primary and secondary coils, the combination of a pair of cores each having a pair of outer coil enclosing legs and an inner intermediate leg,



a base connecting the outer and inner legs at the outer end of each core and completing the coil enclosure, said outer and inner legs of each core being open at the inner ends of the cores, and a butt joint between the inner open ends of the inner and outer legs of said cores, and lying in a common transverse plane.

21. In a transformer having primary and secondary coils, the combination of a pair of generally E-shaped cores, inverted with reference to each other and each having a pair of outer and an intermediate leg closed at the outer ends and open and in register at the inner ends of the cores with a butt joint between the inner ends of said outer and inner legs, and lying in a common transverse plane.

22. In a transformer having primary and secondary coils, the combination of a core comprising a pair of laminated core stacks each having a base portion and inner confined and outer enclosing legs extending from the base portions, said stacks being assembled in inverted relation with respect to each other with the base portions of the respective stacks at opposite ends of the core to form with the outer legs of the stacks a surrounding magnetic envelope and with the ends of the inner and outer legs in register and in butt contact.

23. In a transformer, the combination of a pair of laminated core stacks each having a base portion with inner confined and outer enclosing leg means extending from said base portions, said stacks being assembled in inverted relation with respect to each other with the base portions of the respective stacks at opposite ends of the core to form with the outer legs of the stacks a surrounding magnetic envelope and with the ends of the inner and outer leg means in register and in butt contact, a pair of secondary coil parts surrounding the inner leg means and enclosed by the outer leg means, a ground connection between said secondary coil parts and a primary coil also surrounding the central leg means and enclosed by the outer leg means.

24. In a transformer, a core comprising a pair of laminated core stacks each having a base portion with inner confined and outer enclosing legs extending therefrom, said stacks being assembled in inverted relation

enclosing legs extending therefrom, said stacks being assembled in inverted relation with respect to each other with the base portions of the respective stacks at opposite ends of the core to form with the outer legs of the stacks a surrounding magnetic envelope and with the ends of the inner and outer legs in register and in butt contact, means for clamping the laminations of the stacks together and for holding the two stacks in assembled relation with respect to each other, said means comprising clamping means extending along the top of the core, clamping means extending along the bottom of the core, and means for clamping said means together with the core stacks assembled therebetween.

25. In a transformer, the combination of a core having outer enclosing and inner leg means, a pair of stationary secondary coil parts surrounding the central leg means and enclosed by the outer leg means, a ground connection between the secondary coil parts, a primary coil also surrounding the central leg means and enclosed by the outer leg means, and stationary shunt means disposed between said central and outer leg means for reducing the voltage in the secondary coil means by saturation of the magnetic core.

In witness whereof, we hereunto subscribe our names this 8th day of November, 1927.

JAMES C. DALEY.  
EDWIN G. GODDARD.

12 at the inner ends of the cores with a butt joint between the inner ends of said outer and inner legs, and lying in a common transverse plane.

22. In a transformer having primary and secondary coils, the combination of a core comprising a pair of laminated core stacks each having a base portion and inner confined and outer enclosing legs extending from the base portions, said stacks being assembled in inverted relation with respect to each other with the base portions of the respective stacks at opposite ends of the core to form with the outer legs of the stacks a surrounding magnetic envelope and with the ends of the inner and outer legs in register and in butt contact.

23. In a transformer, the combination of a pair of laminated core stacks each having a base portion with inner confined and outer enclosing leg means extending from said base portions, said stacks being assembled in inverted relation with respect to each other with the base portions of the respective stacks at opposite ends of the core to form with the outer legs of the stacks a surrounding magnetic envelope and with the ends of the inner and outer leg means in register and in butt contact, a pair of secondary coil parts surrounding the inner leg means and enclosed by the outer leg means, a ground connection between said secondary coil parts and a primary coil also surrounding the central leg means and enclosed by the outer leg means.

24. In a transformer, a core comprising a pair of laminated core stacks each having a base portion with inner confined and outer enclosing legs extending therefrom, said stacks being assembled in inverted relation with respect to each other with the base portions of the respective stacks at opposite ends of the core to form with the outer legs of the stacks a surrounding magnetic envelope and with the ends of the inner and outer legs in register and in butt contact, and means for clamping the laminations of the stacks together and for holding the two stacks in assembled relation with respect to each other.

25. In a transformer, a core comprising a pair of laminated core stacks each having a base portion with inner confined and outer

of the core, and means for clamping said means together with the core stacks assembled therebetween.

26. In a transformer, the combination of a core having outer enclosing and inner leg means, a pair of stationary secondary coil parts surrounding the central leg means and enclosed by the outer leg means, a ground connection between the secondary coil parts, a primary coil also surrounding the central leg means and enclosed by the outer leg means, and stationary shunt means disposed between said central and outer leg means for reducing the voltage in the secondary coil means by saturation of the magnetic core.

In witness whereof, we hereunto subscribe our names this 8th day of November, 1927.

JAMES C. DALEY.

EDWIN G. GODDARD.



[fol. 37] IN THE UNITED STATES DISTRICT COURT

• • (Caption—1716) • •

**DEFENDANT'S MOTION FOR BILL OF PARTICULARS UNDER RULE  
12(e)—Filed June 13, 1940**

Now comes the defendant, by its attorney, and moves this Honorable Court for an order directing the plaintiff to serve and file a bill of particulars herein as to the following matters:

1. State or identify precisely what licensed transformer or transformers have been manufactured and sold by the defendant that the plaintiff claims in paragraph 7 of the complaint have not been reported by the defendant to the plaintiff and on which royalties have not been paid by the defendant to the plaintiff as required by the license agreement made August 26, 1935 by the parties, Exhibit A of the complaint.

2. State or identify precisely what modified transformer or transformers have been manufactured and sold by the defendant that the plaintiff claims in paragraph 8 of the complaint, that portion of said paragraph ahead of the semicolon in line 7 thereof, fall within the provisions of said license agreement and on which the defendant has not paid royalties to the plaintiff.

3. State or identify precisely what modified transformer or transformers have been manufactured and sold by the defendant that the plaintiff claims in paragraph 8 of the complaint, that portion of said paragraph following the semicolon in line 7 thereof, were licensed transformers and have not been reported by the defendant to the plaintiff and on which royalties have not been paid by the defendant to the plaintiff.

4. State the particular claim or claims of the Letters Patent No. 1,777,256, dated September 30, 1930, referred [fol. 38] to in the complaint on which the plaintiff will rely at the trial to sustain its charges of unreported sales and non-payment of royalties by the defendant to the plaintiff



under said Letters Patent and said license agreement with respect to—

- (a) Each and every transformer identified or specified by the plaintiff in its answer to item 1 hereof;
- (b) Each and every transformer identified or specified by the plaintiff in its answer to item 2 hereof; and
- (c) Each and every transformer identified or specified by the plaintiff in its answer to item 3 hereof.

Leslie W. Fricke, Attorney for Defendant.

June 13, 1940.

• • • • •  
IN THE UNITED STATES DISTRICT COURT

• • (Caption—1716) • •

PLAINTIFF'S BILL OF PARTICULARS—Filed June 18, 1940.

Now comes the plaintiff, by its attorneys, and files its bill of particulars in response to defendant's motion therefor, as follows: ○

1. A partial examination of defendant's books and records reveals that:

(a) Defendant has not computed and paid royalties on the complete licensed transformers of the core and coil arrangement illustrated, for example, on page 9 of defendant's catalog SM-10, including attachments, and has not computed and paid royalties on such transformers and/or attachments as if sold f. o. b. Chicago as required by contract Exhibit A, bill of complaint, and the full amount of royalties due under such contract on such sales has not been paid to plaintiff.

(b) As to licensed transformers of the core and coil arrangement illustrated at page 9 of defendant's catalog [fol. 39] SM-10, upon which royalties in whole or in part were paid, and which transformers were later returned by the purchasers, credit for such royalties has been given de-

fendant by plaintiff, but later such transformers have again been sold, without payment of royalties thereon as required by the license contract Exhibit A, bill of complaint.

2. As at present advised, defendant is manufacturing and selling transformers of the core and coil arrangement illustrated at page 1 of defendant's bulletin LT-24, upon which no royalties have been or are being paid unto plaintiff.

3. With respect to paragraph 8 of the bill of complaint, more particularly that portion following the semi-colon in line 7 thereof, as at present advised, the transformers manufactured and sold by defendant of the core and coil arrangement illustrated at page 1 of defendant's bulletin LT-24 are those transformers as to which no report of sales has been made and no royalties have been paid to plaintiff by defendant as required by said license contract, Exhibit A, bill of complaint. Since plaintiff is without knowledge as to the full extent of defendant's manufacture and sale of transformers, there may be other constructions or arrangements of which plaintiff has no present knowledge which answer the description and are open to the charge of said portion of paragraph 8 of the bill of complaint. Plaintiff therefore reserves its right to include any such transformers in any decree entered in this cause and in any accounting herein awarded.

4. As at present advised:

(a) Plaintiff charges the defendant's transformers identified or described in paragraph 1 hereof to embody and utilize the invention or inventions of claims 1, 2, 4, 11, 12, 13, 14, 15, 17, 19, and 21, of Letters Patent No. 1,777,256 of Daley, et al.;

(b) Plaintiff charges the defendant's transformers identified or described in paragraph 2 hereof to embody and utilize the invention or inventions of claims 1, 2, 4, 11, 12, 13, 14, 15, 17, 19, and 21, of Letters Patent No. 1,777,256 of Daley, et al.; and

(c) Plaintiff charges the defendant's transformers identified or described in paragraph 3 hereof to embody and utilize the invention or inventions of claims 1, 2, 4, 11, 12,

[fol. 40] 13, 14, 15, 17, 19, and 21, of Letters Patent no. 1,777,256 of Daley, et al.

Respectfully submitted, Jefferson Electric Company,  
by Thos. H. Sheridan, Of Counsel.

F. Thrall Brewer, Sheridan, Davis & Cargill, Solicitors  
and Of Counsel.

June 18, 1940.

Received a copy of the foregoing Plaintiff's Bill of Particulars this 18th day of June, 1940.

Leslie W. Fricke, Solicitors for Defendant.

IN THE UNITED STATES DISTRICT COURT

• • (Caption—1716) • •

DEFENDANT'S ANSWER TO COMPLAINT—Filed July 9, 1940

Defendant, answering the complaint in the above entitled action as supplemented by plaintiff's bill of particulars filed herein on or about June 18, 1940, states as follows:

1. Defendant admits the allegations of paragraph 1 of the complaint.
2. Defendant admits the allegations of paragraph 2 of the complaint.
3. Defendant admits the allegations of paragraph 3 of the complaint.
4. Answering paragraph 4 of the complaint, defendant admits that it is licensed under Letters Patent No. 1,777,256, referred to in the complaint, to manufacture and sell transformers covered thereby, but defendant is without sufficient knowledge concerning the other allegations of said paragraph to answer and, therefore, denies the same and leaves the plaintiff to its proofs thereof.
5. Answering paragraph 5 of the complaint, defend-  
[fol. 41] ant admits that the license to it was granted under date of August 26, 1935, that said license has not

been cancelled by either party, that said license inter alia requires the defendant to pay a royalty to the plaintiff based on defendant's net invoice price of all licensed transformers manufactured and sold by it, to make reports at stated periods as to the number of licensed transformers so manufactured and sold, and to perform other lawful acts as in the license agreement specified, and the defendant admits that Exhibit A attached to the complaint is a true copy of said license agreement; but defendant denies that said license agreement requires the defendant to mark all license transformers made by it in accordance with the statute by placing thereon the number of the above mentioned patent, and the defendant avers that said license agreement is based on Letters Patent other than the above mentioned No. 1,777,256, and that said license agreement only requires the defendant to place on licensed transformers the number of said Letters Patent No. 1,777,256 if the same embodies the invention of said Letters Patent No. 1,777,256; and defendant denies that said license agreement requires the defendant to select and register with plaintiff a trade-mark for the purpose of identifying the licensed transformers made by defendant, and defendant avers that said license agreement merely requires the defendant to mark on each licensed transformer the trade-mark, or other symbol, word, figure or mark identifying the device as having been manufactured by defendant.

6. Answering paragraph 6 of the complaint, defendant denies that it has failed in any respect to abide by the provisions of the license agreement between it and the plaintiff; and, excepting the payments that defendant has admittedly made to the plaintiff under said license agreement, the defendant is without knowledge as to the other allegations of said paragraph 6 and, therefore, denies the same and leaves the plaintiff to its proofs thereof.

7. Answering paragraph 7 of the complaint, as supplemented by sub-paragraphs (a) and (b) of main paragraph 1 of plaintiff's said bill of particulars, defendant denies that since the date of the license agreement in ostensible compliance or otherwise with the terms thereof defendant has from time to time filed reports with plaintiff which purported to set forth the actual number of transformers [fol. 42] manufactured and sold by it, and defendant avers



that it has from time to time as required by said license agreement filed reports with plaintiff which purported to and in fact did set forth the actual number of licensed transformers manufactured and sold by it under said agreement; defendant admits that it has from time to time paid certain sums on the transformers covered by said reports; defendant admits and avers that it has affixed the patent marking not only to some but to all of the licensed transformers sold by it as required by said license agreement; defendant admits and avers that it has affixed its trademark not only to some but to all of the licensed transformers sold by it, but defendant denies that said license agreement requires it to affix to such licensed transformers any trade mark selected only for use in connection with the licensed transformers; defendant denies that the reports so filed were not accurate statements of the actual number of and amounts received for the licensed transformers made and sold by defendant during the periods covered by the respective reports; defendant denies that it has not paid all royalty due to plaintiff on the reported transformers; and defendant denies that large numbers of licensed transformers have been made and sold by defendant without any report having been made thereon to the plaintiff and without any royalty having been paid thereon to the plaintiff, as required by said license agreement.

7a. Further answering paragraph 7 of the complaint, as supplemented by sub-paragraph (a) of main paragraph 1 of plaintiff's said bill of particulars, defendant avers that the plaintiff is not entitled to royalties on non-patented switches and other non-patented attachments sold separately or in conjunction with transformers coming within the scope of the license agreement, and particularly not when such non-patented switches and other non-patented attachments are priced separately from the licensed transformer; and defendant further avers that the plaintiff is entitled only to a royalty based on defendant's net invoice price of such transformers as come within the scope of said license agreement, and that if any such transformers are sold with an allowance for freight or express charges or a discount for cash payment within a specified period, in determining the net invoice price thereof any such freight

[fol. 43] and express charges and cash discounts are to be deducted from the billing or invoice price thereof.

7b. Further answering paragraph 7 of the complaint, as supplemented by sub-paragraph (b) of main paragraph 1 of plaintiff's said bill of particulars, defendant admits that any transformers having a core and coils arranged as illustrated on page 9 of its catalog SM 10 are within the scope of said license agreement, that plaintiff is entitled to royalties on all such transformers manufactured and sold by the defendant since the date of said license agreement, and that if sales of any such transformers have been unreported and the defendant has failed to pay the plaintiff the royalties due thereon it has been wholly through inadvertence; and defendant further avers that if any such transformers were returned by the customer and credit for royalties paid thereon was taken by the defendant and subsequently such returned transformers were resold and were unreported and no royalty was paid to the plaintiff on the resale thereof, the plaintiff is entitled to the same, and that any failure by the defendant in such respects was due entirely to inadvertence.

8. Answering paragraph 8 of the complaint, as supplemented by main paragraphs 2 and 3 of plaintiff's said bill of particulars, defendant admits that while ostensibly and actually operating under said license agreement it has manufactured and sold modified transformers, each having a core and coils arranged as illustrated on page 1 of defendant's bulletin LT-24, upon which no royalties have been paid; defendant denies that such modified transformers are in fact the equivalent of the patented transformers disclosed and claimed in said Letters Patent No. 1,777,256, and defendant denies that such modified transformers fall within the provisions of said license agreement; defendant denies that it, while enjoying the advantages and privileges of said license, has wrongfully and deceitfully represented, directly or by implication, to any of its customers that any of said modified transformers were licensed transformers; defendant admits that it has placed on such modified transformers the said trade-mark which identifies the licensed transformers as being of the defendant's manufacture, for the purpose of showing that such modified transformers were manufactured by defendant,

and avers that it has the legal right so to do, without violating any provision of said license agreement, even if [fol. 44] the same trade-mark has been used by the defendant to identify the licensed transformers made and sold by it under said license agreement as having been made by the defendant; defendant denies that it sold such modified transformers with said trade-mark thereon as licensed transformers; and defendant denies that it otherwise constructed, packaged and, in general, dressed said modified transformers to resemble the transformers upon which royalties were paid to plaintiff under said license agreement, and defendant avers that it has the legal right so to do, if it desires, without violating any provision of said license agreement; defendant admits that it has not reported sales of such modified transformers to plaintiff and has not made payment of royalties thereon, and avers that reporting of such sales and payment of royalties thereon was not and cannot be required by the plaintiff of the defendant under said license agreement; and defendant denies that it has, by any act complained of in said paragraph 8 of the complaint, unjustly profited and enriched itself and caused loss to the plaintiff.

8a. Further answering the complaint, defendant avers that the modified transformers, mentioned in paragraph 8 of the complaint and which the plaintiff has in paragraphs 2 and 3 of its said bill of particulars identified as transformers of the type illustrated on page 1 of defendant's bulletin LT-24, differ both in construction and mode of operation in a substantial and non-infringing way from the transformers described and claimed in plaintiff's said Letters Patent No. 1,777,256, that said modified transformers in fact embody a patentably different invention and operate in a patentably different way from the transformers of said Letters Patent No. 1,777,256, and that said modified transformers are manufactured and sold by the defendant under the protection of United States Letters Patent No. 2,136,895, issued to Joseph G. Sola November 15, 1938, and by him duly assigned December 19, 1938, to the defendant, and that the same are now owned by the defendant. Profert of said assignment is hereby made. Defendant further avers that with respect to said modified

transformers, said license agreement and the plaintiff's claims thereunder, defendant has acted, and is now acting, in the utmost of good faith, and that it has refused to consider such transformers as coming within the scope of said license agreement upon the advice of its regularly [fol. 45] retained patent counsel and upon the advice of other and eminent patent counsel specially retained to advise on the matter.

9. Answering paragraph 9 of the complaint, defendant denies that the plaintiff has but recently discovered the alleged violations of the license agreement and the alleged deceitful practices of the defendant, and defendant avers that the plaintiff for a substantial period of time prior to any protest to the defendant knew of the defendant's manufacture and sale as aforesaid of said modified transformers; defendant admits that the plaintiff has protested several times to the defendant against the continuance of the acts complained of, and defendant admits that notwithstanding such protests the defendant has and now is continuing the acts complained of on advice of counsel as aforesaid, but the defendant denies that it has and now is persisting in any violation of said license agreement and in any deceptive and unjust practice with respect thereto, denies that it is causing any loss to the plaintiff, and denies that it is jeopardizing plaintiff's income from its other alleged licensees.

10. Defendant admits the allegations of paragraph 10 of the complaint, and avers that they are neither material nor relevant to any issue involved herein and, therefore, moves that they be stricken.

11. Answering paragraph 11 of the complaint, defendant admits that said license agreement provides that plaintiff, or its duly authorized agent or attorney, shall have access to the books of the defendant insofar as the same shall be pertinent to said license agreement; defendant admits that plaintiff has demanded access to such books, but denies that the plaintiff has been accorded access only to certain of the pertinent records of the defendant; and defendant denies that plaintiff's duly authorized agent has been denied access to other existing books or records of



the defendant pertinent to the subject-matter of said license agreement.

11a. Further answering the complaint, and particularly paragraphs 7, 8 and 11 thereof, defendant is willing to have the court appoint a competent certified public accountant who has never been connected in any way with either of the parties hereto to make an audit of defendant's books for the purpose of ascertaining the exact amount that may be due the plaintiff or the defendant on transformers manufactured and sold by the defendant since the date of said license agreement and admittedly coming within the scope thereof, and to pay one-half of the expense of such audit, the plaintiff to pay one-half of the expense thereof.

12. Answering paragraph 12 of the complaint, defendant denies that the plaintiff has in all respects performed all the covenants of said license agreement by it to be performed; defendant avers that the plaintiff in purporting to exercise its rights under said license agreement, particularly paragraphs 5 and 5a thereof, has on many occasions given notice of a change in the prices, terms or conditions of sale and has demanded arbitrarily that such changes become effective at once or on a date much earlier than the sixty-day period specified in said paragraph 5a; defendant also avers that the plaintiff in purporting to exercise its rights under said agreement, particularly paragraphs 5 and 5a thereof, has grouped the purchasers of the aforesaid licensed transformers into different classes and has established for such classes different prices, terms or conditions of sale, that a purchaser placed in one class by reason of increased purchases or otherwise may eventually become entitled to be placed in a more favored class, that the plaintiff repeatedly has greatly delayed acting on applications of the defendant for changes in classification of purchasers entitled thereto thereby causing loss to the defendant, and that the plaintiff has taken unwarranted and unjust advantage of the defendant by arbitrarily changing the status of a given purchaser of the licensed transformers from one class to a more favored class and soliciting and obtaining orders from such purchaser as re-classified by the plaintiff, all before giving any notice to the defend-

ant thereof and thereby depriving the defendant of the opportunity to solicit and obtain orders from such purchaser on an equal basis with the plaintiff and to the detriment of the defendant; and defendant further avers that the plaintiff has failed to keep the defendant fully advised as to any and all licenses granted by it to others under said Letters Patent No. 1,777,256, and the other Letters Patent upon which said license agreement is founded, and the terms of such other licenses, and that the plaintiff has failed to furnish to the defendant copies of all such other licenses and any and all modifications or changes therein, [fol. 47] as required in and by said license agreement, and defendant demands that the plaintiff be required to furnish to the defendant promptly true copies of all agreements with its other alleged licensees.

13. Defendant avers that by reason of the proceedings in the United States Patent Office during the prosecution of the application which resulted in said Letters Patent No. 1,777,256, and the admissions and representations made in said application in order to induce the grant of said Letters Patent, plaintiff is estopped to claim for said Letters Patent a construction, were the same otherwise possible, such as would cause said Letters Patent, or any of its claims, to cover or include defendant's aforesaid modified transformers, namely, transformers of the type illustrated on page 1 of defendant's bulletin LT-24 and which are also described and claimed in defendant's said Letters Patent No. 2,136,895.

14. Defendant further avers that the state of the art relating to transformers at the time of the making of the invention of plaintiff's said Letters Patent No. 1,777,256 was such that said invention, if any was involved, was narrow and was but a short step over what was disclosed and taught in various patents and printed publications, over what was known to and used by others in this country and over what was in public use or on sale in this country at or prior to the making of said invention, and that, therefore, none of the claims of said Letters Patent when construed with respect thereto has been infringed by the manufacture, use or sale by defendant of transformers of the type illustrated on page 1 of defendant's bulletin LT-24 and which are also described and claimed in defendant's said Letters Patent No. 2,136,895.

(a) That the patents and printed publications referred to, insofar as they have at present been ascertained, are as follows:

### United States Patents

[fol. 48]	No.	400,515	Thomson	Apr. 2, 1889
		400,972	Thomson	Apr. 9, 1889
		428,575	Stanley, Jr.	May 20, 1890
		536,608	Dickerson	Apr. 2, 1895
		654,390	Fessenden	July 24, 1900
		666,162	Thomson	Jan. 15, 1901
		738,864	Wiley	Sept. 15, 1903
		772,096	Hallberg	Oct. 11, 1904
		783,533	Moody	Feb. 28, 1905
		895,914	Troy	Aug. 11, 1908
		931,114	Conrad	Aug. 17, 1909
		931,124	Jackson	Aug. 17, 1909
		1,123,248	Conrad	Jan. 5, 1913
		1,195,632	White	Aug. 22, 1916
		1,255,549	Moore	Feb. 5, 1918
		1,298,443	Bodde	Mar. 25, 1919
		1,347,910	Peters	July 27, 1920
		1,378,151	Thordarson	May 17, 1921
		1,408,053	Wensley	Feb. 28, 1922
		1,462,346	Kline	July 17, 1923
		1,507,190	Kress	Sept. 2, 1924
		1,523,367	Petersen <i>et al.</i>	Jan. 13, 1925
		1,588,171	Chadwick	June 8, 1926
		1,600,842	Philips	Sept. 21, 1926
		1,635,064	Wagner	July 5, 1927
		1,654,097	Shackelton	Dec. 27, 1927
		1,659,548	Johannessen	Feb. 14, 1928
		1,677,000	Moore	July 10, 1928
		1,677,537	Werner	July 17, 1928
		1,679,910	Pfiffner	Aug. 14, 1928
		1,732,715	Dessauer	Oct. 22, 1929
		1,776,078	Mignot	Sept. 16, 1930
		1,786,422	Daley <i>et al.</i>	Dec. 30, 1930

### Foreign Patents

Austrian Patent No. 96,238, dated Mar. 10, 1924.

British Patent No. 210,053 of 1923 (Convention date France Jan. 22, 1923) accepted Sept. 25, 1924.

British Patent No. 251,998 of 1926 (Convention date Italy May 5, 1925) accepted May 19, 1927.

### Publications

"General Electric Review" Vol. XXVII, No. 10, Oct. 1924, pp. 682-683—article entitled "The Design of Small High-reactance Transformers" by R. H. Chadwick and D. W. Merchant, Transformer Department, Ft. Wayne Works of General Electric Company.

"General Electric Review" Vol. XX, No. 12, December, 1917, pp. 940-944—article entitled "Operation of Series Incandescent Lighting Circuits with Series Transformers" [fol. 49] by E. D. Trainer, Transformer Engineering Department, General Electric Company.

"General Electric Review" Vol. XXVI, No. 7, July 1923, pp. 477-495—article entitled "Testing Transformers for Central Stations" by A. B. Hendricks, Jr., Transformer Engineering Department, General Electric Company.

"Transactions of A.I.E.E. 1912"—Vol. 31, pages 2015 to 2023, article entitled "The Use of Reactance in Transformers" by W. S. Moody.

"The Electrician" Vol. 75 pages 745-6—August 20, 1915 article entitled "Testing Transformer for 500,000-volts."

"Electrical World," 1911, Vol. 57, pages 252-3 article entitled "A 400,000-volt Testing Transformer."

"Elektrische Bahnen u. Betriebe" Vol. 4 page 275, 1906 article by Rudolf Nagel entitled "Über eine Neuveran- gung an Hochspannungs-transformatoren der Siemens-Schuckert- werke G.m.b.H."

"The Brown Boveri Review" April 1927, Vol. 14, pages 105-109—article entitled "The New Brown Boveri Testing Transformers."

"Hawkins Electrical Guide" No. 6, page 1448 copyright 1914.

"Electricians Operating and Testing Manual" by Horst Mann and Tousley page 159 copyright 1916.

"Transformer Practice" by Taylor published 1913 page 28, page 162, page 202, page 231.

"Transformers" by Gisbert Kapp published 1896 page 176; page 193.

"Electrical World" Volume 31, page 302 published 1898 article entitled "A 100,000-volt Testing Set" by C. E. Skinner.



"Transactions of the American Institute of Electrical Engineers" 1898 Vol. 15 page 567 article by Charles F. Scott.

"Essentials of Transformer Practice" copyright 1927 by Emerson G. Reed, also pages 337 and 338.

"Transformers" by Gisbert Kapp 3rd Edition 1925—page 353.

"I. C. S. Reference Library" Vol. 46B, Sec. 33, pages 31-32, and Sec. 35, pages 31-32 copyrighted 1905 and 1908.

"Suggestions for producing high-frequency currents and some of their phenomena" by Edwin F. Northrup and Elliott Woods, Electrical Review, issue of March 19, 1904, pages 443-445 and issue of March 26, 1904, pages 469-471.

[fol. 50] (b) That the instances of prior invention, prior knowledge and use by others and prior public use and sale above referred to, insofar as they at present have been ascertained, are as follows:

France Manufacturing Company of and at Cleveland, Ohio.

Chester Thordarson of and at Chicago, Illinois.

Sun Ray Gas Corporation of and at Cleveland, Ohio.

General Electric Company of and at Schenectady, N. Y., and Ft. Wayne, Ind.

R. H. Chadwick and D. W. Merchant of and at the works of the General Electric Company, Ft. Wayne, Ind.

American Transformer Company of and at Newark, N. J.

Ajax Electrothermic Corporation of and at Trenton, N. J.

Bell Telephone Laboratories of and at New York City, N. Y.

Labadie A. Vlack of and at Cleveland, Ohio.

Louis W. Laube of and at Cleveland, Ohio.

Kastenhuber & Lehrfeld in and at New York City, N. Y.

Goldsmith Brothers Smelting and Refining Company of and at Chicago, Illinois.

Fansteel Products Company in and at Chicago, Illinois.

Griffin Wheel Company in and at Chicago, Illinois.

Grigsby Grunow Company in and at Chicago, Illinois.

Western Electric Company in and at Hawthorne, Illinois.

Standard X-Ray Company in and at Chicago, Ill.

Clair Brown Turner of and at Standard X-Ray Company, Chicago, Ill.

15. Defendant avers that it has in good faith at all times and in all respects performed all the covenants of said license agreement by it to be performed.

Wherefore, defendant prays:

- (1) That the relief sought by the plaintiff in its complaint be denied;
- (2) That the complaint herein be dismissed;
- (3) That costs be assessed against the plaintiff; and
- (4) That the court may grant such other and further relief to the defendant as shall be just.

[fol. 51]      DEFENDANT'S COUNTERCLAIM

Further answering the complaint, and by way of counterclaim against the plaintiff, defendant alleges:

16. That plaintiff's said Letters Patent No. 1,777,256, were on or about March 23, 1936 made the basis of a suit filed by plaintiff against France Manufacturing Company in the District Court of the United States for the Northern District of Ohio, Eastern Division, Equity 5431; that on or about June 12, 1936 the defendant therein filed its motion for further and better particulars and inter alia inquired of the plaintiff which of the claims of said Letters Patent plaintiff would rely — at the trial, and that in respect to such motion and inquiry the plaintiff charged that claims 1 through 5, 7, 8, and 12 through 21 of said Letters Patent had been and were then being infringed by the defendant; that on or about August 1, 1936 the defendant therein filed its answer, and on or about March 8, 1937 filed an amendment to its answer, to the plaintiff's complaint and inter alia set up numerous prior patents, publications and instances of public use and sale in support of its contention that said Letters Patent were invalid; that thereafter and at the trial of said suit plaintiff's counsel announced that the plaintiff would rely only upon claims 8, 14 and 19 of said Letters Patent; that on or about February 17, 1938 the District Court filed its opinion holding said claims 8, 14 and 19 to be valid and infringed; that on or about April 23, 1938 the District Court entered its decree, in accordance with its aforesaid opinion, holding said claims 8, 14 and 19 to be valid and infringed; that on or about May 18, 1938

the defendant therein filed its petition for an appeal to the United States Circuit Court of Appeals for the Sixth Circuit, and also filed its assignment of errors and thereafter said appeal was duly perfected under the No. 812f; that after due proceedings were had in and before said Circuit Court of Appeals its decision was filed on or about September 18, 1939 and the decree of the District Court was affirmed, said decision being reported in 106 F. (2d) 605; that in its said decision said Circuit Court of Appeals, after reviewing the prior art of record pertaining to said claims 8, 14 and 19, found and held that the step taken by the patentees was short but that the improvement defined in said claims was of sufficient merit to measure up to the requirements of patentability; that it is clear from the statements made [fol. 52] in said decision of said Circuit Court of Appeals concerning the prior references therein considered and the improvements as defined in said claims 8, 14 and 19 that if the plaintiff had kept in issue any of the other claims of said Letters Patent theretofore charged to be infringed such other claims would have been found invalid; and that the plaintiff and its counsel therein fully appreciated the force and effect of the prior art of record therein upon such other claims and, therefore, deliberately withdrew from issue such other claims and deliberately elected not to submit any of such other claims to a formal adjudication.

17. Defendant further alleges that the plaintiff, by its aforesaid action and election in said prior suit against the France Manufacturing Company, attempted to escape a formal adjudication of any of the claims of said Letters Patent No. 1,777,256, therein charged to be infringed, excepting Nos. 8, 14 and 19, because of the effect of a finding of invalidity of such other claims upon the license agreement between the parties hereto; that the intent of the parties to and the spirit of said license agreement, particularly the provisions of paragraph 11b thereof, was and is that in any suit for infringement of said Letters Patent the plaintiff would put and keep in issue such claims of said Letters Patent as were infringed and that if any claims were held invalid the defendant herein thereupon would be relieved from including in its reports thereafter transformers shipped and acts performed, after the entry of the judgment or decree, covered only by such claims; that the plaintiff, without any justification, is attempting to col-

lect royalties and is attempting to exercise unlawfully price control over the defendant herein on transformers which, if covered at all, are covered only by claims of said Letters Patent which were charged to be infringed and were subsequently withdrawn from issue in said prior suit and which are in fact void; and the defendant avers that equity, good conscience and fair dealing require that all such other claims of said Letters Patent so charged to be infringed and withdrawn from issue in said prior suit be formally adjudicated herein to be invalid and of no further force or effect.

Wherefore, defendant and counterclaimant prays:

(a) That this court may enter a decree adjudging claims 1, 2, 3, 4, 5, 7, 12, 13, 15, 16, 17, 18, 20 and 21 of said Letters Patent No. 1,777,256 to be invalid;

[fol. 53] (b) That the plaintiff may be decreed to pay the costs of this proceeding; and

(c) That the defendant may have such other and further relief as to this court may seem just.

Sola Electric Company, by John R. Fischer. Leslie W. Fricke, Its Attorney, 1237 Monadnock Block, Chicago, Illinois.

*Duly sworn to by John R. Fischer. Jurat omitted in printing.*

Receipt of a copy of defendant's foregoing answer and counterclaim is hereby acknowledged this 9th day of July, 1940.

Sheridan, Davis & Cargill, Attorneys for Plaintiff.

[fol. 54] IN THE UNITED STATES DISTRICT COURT

• • (Caption—1716) • •

MOTION FOR DISMISSAL OF DEFENDANT'S COUNTERCLAIM—  
Filed July 19, 1940

Now comes the plaintiff, Jefferson Electric Company, by its attorneys, and moves that the counterclaim filed by



defendant be dismissed. The grounds for the motion, briefly are as follows:

1. The complaint charges, inter alia, breach by defendant of a contract entered into between the parties on August 26, 1935, wherein plaintiff granted defendant a non-exclusive license under certain United States patents, including patent No. 1,777,256. Paragraph 5 of the complaint alleges the contract has not been canceled by either party, and paragraph 5 of Defendant's Answer to the complaint admits that the said contract has not been canceled by either party. The contract is therefore still in full force and effect and defendant is still a licensee under said patents, including patent No. 1,777,256.

2. Defendant's counterclaim seeks a judgment of this court declaring that certain claims of plaintiff's patent No. 1,777,256, but not all such claims, are invalid, notwithstanding that defendant still is a licensee under said patent and has been a licensee for approximately five years. The defendant, being admittedly a licensee under patent No. 1,777,256 is estopped to attack the validity of the patent.

3. The counterclaim does not state a cause of action.

A brief in support of this motion is being filed pursuant to Rule 7 of the Rules of the District Court of the United States for the Northern District of Illinois.

Sheridan, Davis & Cargill, Thos. H. Sheridan, Attorneys for Plaintiff.

Received a copy of the foregoing Motion for Dismissal of Defendant's Counterclaim, this 19th day of July, 1940.

Leslie W. Fricke, Attorney for Defendant.

[fol. 55] IN THE UNITED STATES DISTRICT COURT

• • (Caption—1716) • •

AMENDMENT TO ANSWER AND COUNTERCLAIM—Filed July 29, 1940

Now comes the defendant, Sola Electric Company, and amends its answer and counterclaim filed herein July 9,

1940, under the provisions of Rule 15(a) in the following respects:

Page 16, cancel lines 16 to 22, inclusive, and substitute therefor the following:

"that had the plaintiff kept in issue any of the other claims of said Letters Patent theretofore charged to be infringed such other claims would have been found invalid in view of the prior patents, publications, knowledge, uses and sales set up and proved in said suit; and that the"

Page 17, cancel lines 25 and 26 and substitute therefor the following:

"suit and which are in fact void because of the prior patents, publications, knowledge, uses and sales set up in said suit and in paragraph 14 of defendant's answer herein; and the defendant avers that equity, good conscience, fair dealing and said license agreement require".

Sola Electric Company, by Leslie W. Fricke, Its Attorney.

Receipt of a copy of the foregoing amendment to the defendant's answer and counterclaim is hereby acknowledged this 29th day of July, 1940.

Sheridan, Davis & Cargill, Attorneys for Plaintiff.

[fol. 56] IN THE UNITED STATES DISTRICT COURT

• • (Caption—1716) • •

MEMORANDUM—Filed August 7, 1940

I am of the opinion that plaintiff's motion to dismiss defendant's counterclaim should be sustained.

An order will be entered accordingly on August 9, 1940, at 10 o'clock A. M.

William H. Holly, Judge.

## IN THE UNITED STATES DISTRICT COURT

\* \* (Caption—1716) \* \*

DEFENDANT'S OBJECTION TO THE COURT'S RULING ON PLAINTIFF'S MOTION TO DISMISS DEFENDANT'S COUNTERCLAIM—  
Filed August 9, 1940.

Now comes the defendant in the above entitled cause, by its attorney, and simultaneously with the entry of the order sustaining plaintiff's motion to dismiss defendant's counterclaim makes known to the court, as provided in Rule 46 of the Rules of Civil Procedure, its objection to such order and the grounds therefor as follows:

Defendant urges that its counterclaim states a proper and valid cause of action and that it should not be dismissed.

Defendant contends that it is not estopped under its [fol. 57] agreement with the plaintiff of August 26, 1935, to contest the validity herein of claims 1, 2, 3, 4, 5, 7, 12, 13, 15, 16, 17, 18, 20 and 21 of plaintiff's patent No. 1,777,256, and that it has a clear right under said agreement to do so because of the circumstances and facts set forth in defendant's counterclaim.

Defendant further contends that it is not estopped under its said agreement with plaintiff of August 26, 1935, to contest the validity herein of the claims, particularly those enumerated above, of said patent No. 1,777,256, because the agreement contains price limitations which defendant contends should not be enforced with respect to transformers coming only under such claims unless this court finds such claims to be in fact valid.

Leslie W. Fricke, Attorney for Defendant.

Chicago, Illinois, August 9, 1940.

## IN THE DISTRICT COURT OF THE UNITED STATES

\* \* (Caption—1716) \* \*

## ORDER DISMISSING COUNTERCLAIM—Entered August 9, 1940

Present: Hon. William H. Holly, District Judge.

It is ordered by the Court that the Plaintiff's motion to dismiss Defendant's counterclaim be and the same is

hereby sustained and said counterclaim is hereby dismissed.

[fol. 58] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

NOTICE OF APPEAL TO CIRCUIT COURT OF APPEALS UNDER RULE  
73b—Filed November 6, 1940

Notice is hereby given that Sola Electric Company, defendant above named, hereby appeals to the Circuit Court of Appeals for the Seventh Circuit from the order dismissing defendant's counterclaim entered in this action on August 9, 1940.

Leslie W. Fricke, Attorney for Appellant, 1237  
Monadnock Block, Chicago, Illinois.

November 6, 1940.

[fol. 59] IN THE UNITED STATES DISTRICT COURT

• • (Caption—1716) • •

STATEMENT OF POINTS ON APPEAL—Filed Dec. 9, 1940

1. The Court erred in dismissing defendant's counterclaim.

2. The Court erred in not denying plaintiff's motion to dismiss defendant's counterclaim.

3. The Court erred in not holding that defendant's counterclaim states a proper and valid cause of action.

Leslie W. Fricke, Attorney for Defendant-Appellant.

Receipt of a copy of the foregoing statement of points on appeal is hereby acknowledged this 9th day of December, 1940.

(Signer) Sheridan, Davis & Cargill, Attorneys for  
Plaintiff-Appellee.



[fol. 60] IN THE UNITED STATES DISTRICT COURT

\* \* (Caption—1716) \* \*

DESIGNATION OF CONTENTS OF RECORD ON APPEAL—Filed Nov.  
12, 1940

The defendant-appellant in the above action hereby designates that the record on appeal shall contain the following:

Complaint filed on or about May 28, 1940;

The license agreement between the plaintiff and the defendant dated August 26, 1935 made Exhibit A of the complaint;

Copies of U. S. patents Nos. 1,777,256 and 1,786,422, issued September 30, 1930, and December 30, 1930, respectively, upon which said license agreement of August 26, 1935, is based;

Defendant's motion for a bill of particulars under Rule 12 (e) filed on or about June 13, 1940;

Plaintiff's bill of particulars filed on or about June 18, 1940;

Defendant's answer to complaint, including its counterclaim, filed on or about July 9, 1940;

Plaintiff's motion for dismissal of defendant's counterclaim filed on or about July 19, 1940;

Defendant's amendment to answer and counterclaim filed on or about July 29, 1940;

Memorandum opinion of Judge Holly filed on or about August 6, 1940;

Defendant's objection to the court's ruling on plaintiff's motion to dismiss defendant's counterclaim filed on or about August 9, 1940;

Order entered by Judge Holly on August 9, 1940 sustaining plaintiff's motion to dismiss defendant's counterclaim and dismissing the counterclaim; and

Statement of points of error on which the appeal is taken to be filed in due course.

Leslie W. Fricke, Attorney for Defendant-Appellant.

Receipt of a copy of the foregoing Designation of Contents of Record on Appeal is hereby acknowledged this 12th day of November, 1940.

Sheridan, Davis & Cargill, Attorneys for Plaintiff-Appellee.

[fol. 61] Bond on Appeal for \$250.00 approved and filed Nov. 6, 1940, omitted in printing.

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[fols. 62-64] Clerks' Certificates to foregoing transcript omitted in printing.

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[fol. 65] Placita omitted.

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[fol. 63] IN UNITED STATES CIRCUIT COURT OF APPEALS FOR  
THE SEVENTH CIRCUIT, OCTOBER TERM AND SESSION, 1941

No. 7534

JEFFERSON ELECTRIC COMPANY, A Corporation, Plaintiff-Appellee,

vs.

SOLA ELECTRIC COMPANY, A Corporation, Defendant-Appellant

Appeal from the District Court of the United States for  
the Northern District of Illinois, Eastern Division

OPINION—Filed December 29, 1941

Before Evans, Sparks and Major, Circuit Judges

SPARKS, *Circuit Judge*. In this action appellee sued appellant to recover royalties pursuant to a contract entered into between them. The royalties related to certain electric transformers and parts manufactured and sold by appellant under the disclosures of appellee's United States patents to Daley, *et al.*, Nos. 1,777,256 and 1,786,422. They were issued respectively on September 30, 1930, and December 30, 1930, on applications respectively filed on July 16, 1928, and November 11, 1927.

The complaint involves the recovery of royalties on devices and their component parts which are admittedly covered by the claims of the patents, and other devices which are not admitted by appellant to be covered by any claims of those patents.

The contract, dated August 26, 1935, contains the following pertinent provisions:

(a) The licensee may at any time after one year terminate the agreement on thirty days' notice.

(b) If any claims of the patent under which the license is granted are held to be invalid or not infringed, the [fol. 67] licensee shall be relieved from reporting and paying upon devices covered only by such claim or claims.

(c) The prices, terms and conditions of sale of transformers manufactured by the licensee under the license shall be no more favorable to the customer than those which from time to time the Jefferson Company establishes and maintains for its own sales.

(d) The plaintiff will bring and diligently prosecute such suits for infringement of the patents under which this license is granted as may reasonably be necessary for enforcing those patents and preventing non-licensed competition.

The appeal now before us is from a ruling of the District Court striking a counterclaim filed by the defendant. This counterclaim alleged invalidity of the patents under which appellant held the license. We have heretofore overruled a petition filed by appellee to dismiss the appeal on the ground that the order was not an appealable one, but was merely an interlocutory one which neither granted, denied, nor dissolved an injunction. *Jefferson Electric Co. v. Sola Electric Co.*, 122 F. 2d 124.

As grounds for the declaratory judgment prayed in its counterclaim, appellant alleged that appellee, in March 1936, sued the France Manufacturing Company in Ohio, for infringement of patent No. 1,777,256, relying originally upon claims 1 to 5 inclusive, and 7, 8, and 12 to 21 inclusive. Subsequently, appellee announced in that case that it would rely only upon claims 8, 14 and 19 which were thereupon held valid and infringed. This ruling of the District Court was affirmed by the Circuit Court of Appeals for the Sixth Circuit. *France Mfg. Co. v. Jefferson Electric Co.*, 106 F. 2d 605. The counterclaim further alleged that, by withdrawing the claims above referred to from contest in the France case, appellee sought to escape a formal adjudication of those claims because of the effect

of a finding of invalidity of such other claims upon the license agreement; that the intent of the parties to and the spirit of the license agreement, particularly the provisions of paragraph 11(b) thereof (to which we have referred above as (d)), was and is that in any suit for infringement of the patent, the licensor would put and keep [fol. 68] in issue such claims as were infringed; that if any claims were held invalid, the appellant herein would be relieved from including in its reports thereafter, transformers shipped and acts performed, which were covered only by such invalid claims; that appellee, without any justification, was attempting to collect royalties and to exercise price control unlawfully over the appellant on transformers which, if covered at all, were covered only by claims of the letters patent which were charged to be infringed and were subsequently withdrawn from issue in the prior suit, and which were in fact void. Appellant further averred that equity, good conscience and fair dealing required that all such other claims of the patent so charged to be infringed and withdrawn from issue in the prior suit, be formally adjudicated herein to be infringed and of no further force and effect.

Appellant in stating its position, asserts that it does not seek to avoid its obligations as to units admittedly covered by the license. It insists that its own modified units are covered, if at all, only by invalid claims of the licensor's patent. Hence, it urges that it should be permitted to show such invalidity, because public policy forbids the unjust imposition of charges by a patent owner upon devices not embraced by his patent, and requires curtailment of his attempt to fix prices thereon. The answer to this objection is that the public by its Government has granted a patent to appellee upon everything which it licensed to appellant, and that grant carries with it a presumption of validity until it is overcome by the judgment of a federal court. This record discloses no attempt on the part of appellee to fix prices upon anything not covered by the patent. Hence, the situation is not amenable to anti-trust laws in the interest of public policy. Generally speaking, appellant as licensee is estopped to deny the validity of the patent under which he is licensed. This is elemental, and the citation of authorities in its support is unnecessary. This counterclaim is really an effort to override that prin-



ciple, and it is sufficient for us to say that we cannot approve the effort.

Public policy from the beginning of our Government has favored the issuance of patents, and Congress and the courts, consistent with that purpose, have protected them by legislation and judicial interpretation. It seems to us [fol. 69] that the ends have justified the means. Any departure from the well-settled principles should be addressed to Congress and not the courts.

The license before us was not entered into without thought on the part of appellant. It fully protected the licensee against any claims of the patents which might be declared invalid by judicial procedure, and it provided that the licensor should protect the licensee by instituting infringement suits against all infringers, which might be reasonably necessary for enforcing the patents and preventing non-licensed competition. It further provided that appellant might terminate its license and its obligation thereunder upon thirty days' notice. There is no provision in the license which requires the licensor to institute any action for the purpose of declaring any claim invalid. It was clearly appellant's intention to be protected by every claim in the patent. So, when appellee instituted action in the Sixth Circuit against the France Manufacturing Company, its duty was to prosecute that case for the purpose of enforcing the patents and preventing competition of France with appellant, who was not a party to the action. This it did by establishing the validity of three claims just as effectively as if it had prosecuted every claim. Appellee had a right to choose the claims for contest in that case in order to carry out its duty to appellant under the license.

Appellant, however, seems to have changed its position since it entered into the contract. It is now anxious for someone to bring a suit in order to relieve appellant from its burdens under the license and still leave it free to benefit by it. It seems to be assured of the invalidity of the other claims and of the value of its own modified unit, yet it is not willing to forfeit its rights under the license in order to put itself in a position where it may contest the validity of the patent claims. A court of equity cannot entertain such requests.

Appellant further contends that in withdrawing certain claims from the suit in the France case, appellee furnished

ample ground for permitting appellant to litigate the question of invalidity and is thereby estopped to claim an estoppel against appellant. There is no merit in this contention. Appellee had a right to withdraw any claim or claims from litigation in that case which it thought would enforce the patents and prevent non-licensed competition with appellant. The result of that litigation protected appellant in its rights under the license, and that is all appellee promised to do. The withdrawal of the claims was not an admission of invalidity and it furnished no basis for the escape of appellant from its estoppel to deny the validity which is still presumed to exist by the issuance of the patent.

Appellant further contends that the decision in the France case published to the world the invalidity of the claims which were withdrawn, and constitutes an eviction of appellant from any claim of monopoly thereafter. It further argues that that court, inferentially at least, declared those withdrawn claims invalid. There is no language in that decision which bears out this statement. True, the appellant in that case made a vigorous effort to have that court pass upon the validity of the claims withdrawn, but it expressly declined to do so.

The present case now stands in such form that the issue can be tried as to whether appellant's modified units come within the claims of the patents under which the license was granted. If they do not appellant will receive all the relief that it is entitled to. If the modified unit does fall within the claims of the licensed patent, then appellant will be bound by it until such time as it desires to waive its license, or until a court of competent jurisdiction, at the behest of a proper litigant, holds the offending claims invalid.

The District Court did not err in striking the counterclaim from the record. The order is

Affirmed.

[File endorsement omitted.]

[fols. 71-84] IN UNITED STATES CIRCUIT COURT OF APPEALS,  
SEVENTH CIRCUIT.

7534

JEFFERSON ELECTRIC COMPANY, a Corporation, Plaintiff-  
Appellee,

vs.

SOLA ELECTRIC COMPANY, a Corporation, Defendant-Appel-  
lant

Appeal from the District Court of the United States for the  
Northern District of Illinois, Eastern Division

DECREE—December 29, 1941

This cause came on to be heard on the transcript of the record from the District Court of the United States for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, it is ordered, adjudged and decreed by this Court that the order or decree of the said District Court in this cause appealed from be, and the same is hereby, affirmed, with costs.

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And afterwards, to-wit: On the thirteenth day of January, 1942, there was filed in the office of the Clerk of this Court, a petition for a rehearing, which said petition for a rehearing is in the words and figures following, to-wit:

Petition for rehearing covering 9 pages omitted from this print. It was denied, and nothing more by order of Feb. 7, 1942.

---

[fols. 85-98] And afterwards, to-wit: On the twenty-first day of January, 1942, there was filed in the office of the Clerk of this Court, an answer to petition for a rehearing, which said answer is in the words and figures following, to-wit:

Answer to petition for rehearing omitted in printing.

[fol. 99] IN UNITED STATES CIRCUIT COURT OF APPEALS  
[Title omitted]

ORDER DENYING PETITION FOR REHEARING—Feb. 7, 1942

It is ordered by the Court that the petition for a rehearing of this cause be, and it is hereby, denied.

IN UNITED STATES COURT OF APPEALS

[Title omitted]

ORDER STAYING MANDATE—Feb. 13, 1942

On motion of counsel for appellant, it is ordered that the mandate of this Court in this cause be, and it is hereby, stayed pursuant to Rule 25 of the rules of this Court.

[fol. 100] IN UNITED STATES CIRCUIT COURT OF APPEALS  
FOR THE SEVENTH CIRCUIT

[Title omitted]

#### NOTICE

To: Thomas H. Sheridan, Esq., Field Building, Chicago, Illinois, Attorney for Plaintiff-Appellee

Please take notice that we shall today file with the Clerk of the United States Circuit Court of Appeals the accompanying praecipe for record in connection with petition to the Supreme Court for writ of certiorari.

Leslie W. Fricke, J. Bernhard Thiess, Sidney Newman, Attorneys for Defendant-Appellant.

Service of the foregoing Notice and receipt of a copy of the Praecipe for Record mentioned therein are hereby acknowledged this 13th day of February, 1942.

Thos. H. Sheridan, Attorney for Plaintiff-Appellee.



[fols. 101-102] IN UNITED STATES CIRCUIT COURT OF APPEALS  
FOR THE SEVENTH CIRCUIT

[Title omitted]

PRAECIPE FOR RECORD—Filed Feb. 14, 1942

To the Clerk of the United States Circuit Court of Appeals  
for the Seventh Circuit:

You are hereby requested to prepare a certified transcript of the record in the above entitled cause for filing in the Supreme Court of the United States in connection with a petition for writ of certiorari to be filed on behalf of Sola Electric Company, appellant in this Court, and to include in such certified transcript the following:

1. Printed transcript of record in this court.
2. Opinion filed December 29, 1941.
3. Judgment of this court pursuant to such opinion.
4. Petition for rehearing.
5. Appellee's answer to petition for rehearing.
6. Order denying petition for rehearing.
7. Order of this court stating its mandate.
8. This praecipe for record.
9. Usual certificates of the Clerk of this court.

Leslie W. Fricke, J. Bernhard Thiess, Sidney Newman,  
Attorneys for Defendant-Appellant.

Chicago, Illinois, February 13, 1942.

[File endorsement omitted.]

[fol. 103] Clerk's Certificate to foregoing transcript  
omitted in printing.

[fol. 104] SUPREME COURT OF THE UNITED STATES

ORDER ALLOWING CERTIORARI—Filed April 6, 1942

The petition herein for a writ of certiorari to the United States Circuit Court of Appeals for the Seventh Circuit is granted. Counsel are requested to discuss in their briefs and on the argument of this case (1) whether federal or state law applies, and (2) in the event that state law is held to govern, what the applicable state law is.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

---

Endorsed on Cover: File No. 46,357. U. S. Circuit Court of Appeals, Seventh Circuit, Term No. 1029. Sola Electric Company, Petitioner, vs. Jefferson Electric Company. Petition for a writ of certiorari and exhibit thereto. Filed March 9, 1942. Term No. 1029 O. T. 1941.



FILE COPY

Office - Supreme Court U. S.

FILED

MAR 9 1942

CHARLES L. HENRY  
CLERK

IN THE  
**SUPREME COURT OF THE UNITED STATES**

OCTOBER TERM, 1941.

No. **1029 45**

**SOLA ELECTRIC COMPANY,**

*Petitioner,*

VS.

**JEFFERSON ELECTRIC COMPANY,**

*Respondent.*

**PETITION FOR WRIT OF CERTIORARI TO THE  
CIRCUIT COURT OF APPEALS FOR THE  
SEVENTH CIRCUIT**

AND

**BRIEF IN SUPPORT THEREOF.**

✓ **BESLIE W. FRICKE,**  
1237 Monadnock Block,  
Chicago, Illinois,

✓ **J. BERNHARD THIESS,**

✓ **SIDNEY NEUMAN,**

77 West Washington Street,  
Chicago, Illinois,

*Counsel for Petitioner.*





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IN THE  
**SUPREME COURT OF THE UNITED STATES**

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**OCTOBER TERM, 1941.**

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No.

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**SOLA ELECTRIC COMPANY,**

*Petitioner,*

**VS.**

**JEFFERSON ELECTRIC COMPANY,**

*Respondent.*

---

**PETITION FOR WRIT OF CERTIORARI TO  
THE CIRCUIT COURT OF APPEALS FOR  
THE SEVENTH CIRCUIT.**

---

*To the Honorable Harlan Fiske Stone, Chief Justice of  
the United States, and the Associate Justices of the  
Supreme Court of the United States:*

Your petitioner, Sola Electric Company, respectfully  
prays for the issuance of a writ of certiorari to the Cir-  
cuit Court of Appeals for the Seventh Circuit to re-  
view the judgment of that Court entered on December

29, 1941, (R. p. 71) in a case numbered and entitled on its docket "No. 7534, *Jefferson Electric Company, Plaintiff-Appellee, v. Sola Electric Company, Defendant-Appellant*." A petition for rehearing (R. pp. 73-83) was duly presented and was denied on February 7, 1942, (R. p. 99). The mandate of said Court was stayed for thirty days to permit this application for a writ of certiorari (R. p. 99).

A certified transcript of the record in the case, including the proceedings in the said Circuit Court of Appeals, is presented herewith in accordance with Rule 38 of this Court.

#### SUMMARY STATEMENT OF MATTER INVOLVED.

Respondent, Jefferson Electric Company, an Illinois corporation, sued petitioner, Sola Electric Company, a Delaware corporation, in the United States District Court for the Northern District of Illinois (R. pp. 2-6) to recover royalties alleged to be due in accordance with the provisions of a license granted by respondent to petitioner (R. pp. 6-12) under United States Letters Patent Nos. 1,777,256 and 1,786,422, relating to electric transformers (R. pp. 14, 28).

The issues formulated by the Complaint and Answer were (1) whether petitioner had theretofore accurately reported and fully accounted for an admittedly licensed unit, and (2) whether a second or modified unit sold by petitioner (neither reported nor accounted for) was comprehended by the license.

The second unit, if covered at all, is covered only by certain broad claims of the '256 patent, of which respondent deliberately prevented a formal adjudication in a prior patent infringement suit, by withdrawing

them after their validity had been put in issue. The decision of the Court in that case necessarily considered the subject matter of the broad claims in passing upon other more narrow claims left in suit and found the device thereof to be in the public domain. Petitioner, inasmuch as its license contains price fixing provisions, applicable only "so long" as the purportedly licensed devices "continue to be covered by said patents," included a counterclaim, in its Answer (R. pp. 51-53, 55), which sought a formal declaration of the invalidity of the broad claims, so as to effect a release of the second device from the obligations of the license and the price fixing control being asserted by respondent.

The propriety and legal sufficiency of the counterclaim are here involved, the Courts below having ordered it stricken.

Pertinent provisions of the license are reproduced in the margin\* and the essential facts are these:

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(5) Jefferson Company grants this license on the express condition that the prices, terms, and conditions of sale, for use or sale in the United States of America, its territories, dependencies and possessions, of transformers embodying any invention covered in the said patents, and so long as such devices continue to be covered by said patents, shall be no more favorable to the customer than those which from time to time the Jefferson Company establishes and maintains for its own sales and/or that of its other licensees of similar or competing transformers under such patents, to such or other similarly situated customer purchasing in like quantities. The Sola Company shall be notified of all such prices, terms, and conditions of sale fixed by the Jefferson Company.

(10) The Jefferson Company agrees that it will bring and diligently prosecute such suits for infringement of the patents under which this license is granted as may reasonably be necessary for enforcing those patents and preventing unlicensed competition.



Respondent's '256 patent (R. p. 13) contains broad and narrow claims and at the time of the issuance of the license to petitioner was unadjudicated.

Accordingly, petitioner promised respondent that it would pay royalties and maintain fixed prices only so long and on such of petitioner's devices as were covered by claims of the patent whose validity was unimpaired by adverse judicial decision. Respondent, conversely, agreed that petitioner was to have the right to manufacture and sell the devices covered only by adjudged invalid claims freed of the burdens of the license without being required to repudiate the license as to devices defined by valid claims of the patent. The limiting phrase found in the price fixing provisions, i.e., "so long as such devices continue to be covered by said patents" obviously means that price control was to be effectual only insofar as respondent had valid patent

(11b) In the event that any of the claims of any Letters Patent under which a license is granted hereunder are held in any suit for infringement to be invalid or not infringed, or are awarded to another by a court of last resort or by a lower court or tribunal of competent jurisdiction from whose judgment no appeal is taken or certiorari granted within the period allowed therefor, then with respect to any claim so held to be not infringed the construction placed upon the claim by such court shall be followed with respect to acts occurring after the date of entry of the judgment or decree of such court or the issuance of the mandate, and with respect to any claims held invalid or awarded to another, the licensee shall be relieved from including in its reports hereunder transformers shipped, and acts performed, after the date of entry of the judgment or decree, or the issuance of the mandate of such court or tribunal, covered only by such claims, provided, however, that if there are two or more such final judgments, decrees, or mandates with respect to the same claim, the one more favorable to the claim shall be followed if, and so long as there is reasonable ground to believe that that judgment, decree, or mandate is correct. (R. pp. 8, 9, 10).

claims and shows that the parties knew that public policy forbids the exercise of price control by respondent over devices not embraced by its actual patent monopoly.

To insure judicial examination of the patent when its validity was disregarded by unlicensed competitors, respondent covenanted to bring suits for infringement to enforce the patent and prevent unlicensed competition. Following judicial examination of the patent, the rights and obligations of the parties were to be fixed at, or restricted in accordance with, the adjudged scope and validity of the patent.

In 1936, subsequent to the issuance of petitioner's license, respondent brought suit,\* in the Sixth Circuit, against an unlicensed competitor, and originally charged infringement of all of the narrow claims and most of the broad claims of the patent. Later, upon the commencement of the trial, and in the face of a direct challenge to the validity of the broad claims, respondent withdrew them from contest (R. p. 51). If these claims are in fact void, respondent thus deliberately prevented a formal adjudication of their invalidity. The Sixth Circuit Court of Appeals found in that case that the narrow claims left in suit were valid and infringed. In reaching this conclusion, the Court necessarily found, upon a review of the prior art, that a "balanced transformer" which essentially is the only device defined by the withdrawn broad claims "belonged to the public" at the time that respondent's assignors applied for the patent. The Court sustained the narrow claims, because it found patentability solely in the *specific combination* of a "balanced transformer" which was *old* and a "mid-

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\* *Jefferson Electric Co. v. France Mfg. Co.* (C. C. A. 6) 106 F. (2d) 605.

point ground" which was *old*, it being expressly stated by the Court that this was a *short step* only. If not expressly, at least by clear implication, the Court's review of the prior art and its conclusion on patentability published to the world the invalidity of any claim in the '256 patent which did not contain the specific patentable combination or which, conversely stated, only defined a "balanced transformer" found by the Court to be in the public domain.\*

Petitioner, in its answer, has denied that its second unit is covered by the patent claims, properly construed. However, if the broad claims of the '256 patent withdrawn from contest in the *Jefferson-France* case are the only claims which reach petitioner's second unit and if they are in fact void because the device defined thereby is in the public domain, then obviously, petitioner will be required to pay royalties for, and respondent will be exercising price control over, devices outside the scope of the respondent's actual patent monopoly. As against that possibility, petitioner included in its answer the counterclaim here in issue and prayed for a declaration of the invalidity of the broad claims withdrawn from contest in the prior litigation. Petitioner justifies the counterclaim on the grounds:

(1) that respondent had prevented a formal adjudication, in the prior suit, of the broad claims of the patent because of the effect of a finding of invalidity of such claims upon the patent license and thereby vio-

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\* See Appendix B, (*post*, p. 39) where we present a side-by-side comparison of claim 13 (a typical broad claim withdrawn from contest and now asserted against petitioner) and claim 14 (a typical narrow adjudged claim) and demonstrate that the broad claim does not contain the specific patentable combination and is thus, on the face of the Court's opinion, invalid.

lated the intent of the parties to and the spirit of the license; and

(2) that respondent is attempting to exercise unlawfully price control over petitioner on devices which, if covered at all, are covered only by the broad claims of the patent which were withdrawn from issue in the prior suit and which are in fact void.

The Courts below dismissed petitioner's counterclaim because of the patent law principle that a licensee is estopped to deny the validity of the patent under which he is licensed. The Court of Appeals branded the counterclaim "an effort to override that principle" and in practical effect held that petitioner should waive and give up its license and jeopardize its obvious investment in plant equipment by becoming a deliberate infringer of narrow adjudged valid claims as to one of its transformers in order to establish the rights of the public in another transformer defined, if at all, only by broad but invalid claims.

Dealing with petitioner's insistence that, if the broad claims are in fact void, respondent is, in substance, imposing unjust charges upon and exercising price control over transformers not embraced by respondent's actual invention, the Court of Appeals held that public policy was not involved here because "the public by its government has granted a patent" to respondent upon everything which was licensed to petitioner and that this "grant carries with it a presumption of validity until it is overcome by the judgment of a federal court." The Court consequently held that the record disclosed no attempt on the part of respondent "to fix prices upon anything not covered by the patent" and ruled that the situation hence is "not amenable to anti-trust laws in the interest of public policy". (R. p. 68).



The Court of Appeals refused to modify or restrict the principle of patent license estoppel in the interests of public policy and stated:

"Public policy from the beginning of our Government has favored the issuance of patents, and Congress and the courts, consistent with that purpose have protected them by legislation and judicial interpretation. It seems to us that the ends have justified the means. Any departure from the well-settled principles should be addressed to Congress and not the courts" (R. pp. 68, 69).

Petitioner also contended in the Court below that respondent was estopped to invoke a patent license estoppel against petitioner because it was the clear duty of respondent to keep the broad claims in contest in the former litigation if it thereafter intended to exercise price control under those claims or assert an estoppel against petitioner. The Court of Appeals found, however, that respondent discharged its obligations, apparently both public and private, by only establishing the validity of three narrow claims (R. p. 69).

#### JURISDICTION.

1. The jurisdiction of this Court is invoked under § 240 (a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. § 347).

2. The judgment of the Court of Appeals was rendered in a civil action upon a counterclaim brought under the Patent Statutes to determine the issue of validity of letters patent of invention.

3. The date of the judgment to be reviewed is December 29, 1941 (Petition for Rehearing denied February 7, 1942).

4. Among cases believed to sustain jurisdiction to issue the writ are:

*General Talking Pictures Corp. v. Western Electric Co.*, 304 U. S. 175.

*Carbice Corp. v. American Patents Corp.*, 283 U. S. 27.

*Schriber-Schroth Co. v. Cleveland Trust Co.*, 305 U. S. 47.

*Morton Salt Co. v. G. S. Suppiger Co.*, 86 L. Ed. 317.

### QUESTIONS PRESENTED.

The following questions are presented:

1. Where public policy is raised in a patent license accounting suit, is a Federal Court, sitting as a court of equity, powerless because of a principle of patent license estoppel to determine the actual validity of merely *prima facie* valid patent claims? More specifically:

(a) Should an implied estoppel to contest the validity of patent claims yield in the interest of public policy at the behest of a licensee where, in a prior patent infringement suit involving the licensed patent, a competent court not only vitiated the *prima facie* validity of certain claims but also, in practical effect, found them invalid, and where, moreover, the patent license itself expressly emphasizes the public interest by providing for the release of devices covered only by invalid claims both from the imposition of royalty charges and the exercise of price control? And

(b) Is not a patent licensor estopped in the interest of public policy to invoke an estoppel against a licensee to contest the validity of certain claims of the patent where by so doing he is taking advantage of his own deliberate avoidance of an adjudication of those claims

after their validity had been directly challenged in previous patent litigation and where he is thus being empowered to fix prices under those claims?

2. Where, in adjudicating certain patent claims, a court has found patentability solely in a specific combination and has necessarily adjudicated certain subject matter to be old, is the effect thereof the equivalent of an adjudication of the invalidity of other claims of the patent which define only such old subject matter within the meaning of a license which provides for the release from its burdens of devices covered only by adjudged invalid claims?

#### REASONS RELIED UPON FOR THE ALLOWANCE OF THE WRIT.

The discretionary power of this Court is invoked upon the following grounds:

1. The Court of Appeals for the Seventh Circuit, by its decision, has misconceived the true nature of public policy as to patents and has unduly limited the functions of the Federal Courts in carrying out that policy, and has thus decided an important question of federal law in a way in obvious conflict with applicable decisions of this Court.

2. The Court of Appeals for the Seventh Circuit, in deciding that a Federal Court, sitting as a court of equity, is powerless to relieve against a licensee's estoppel to contest the validity of his licensor's patent and thus permit an inquiry into the actual validity of certain claims of the licensed patent in order to test the legality of price fixing provisions contained in the license, has decided an important question of federal law which has not been, but should be, settled by this Court.

3. The Circuit Court of Appeals for the Seventh Circuit, in deciding that a patent licensor who deliberately withdraws certain patent claims from contest in the face of a direct challenge to their validity is not thereafter estopped to assert an estoppel under said claims against his licensee and may thus defeat an inquiry in the interest of public policy into the actual validity of the claims, has decided an important federal question which has not been, but should be, settled by this Court.

4. The Circuit Court of Appeals for the Seventh Circuit, has decided an important question of general public interest as to patent licenses which has not been, but should be, settled by this Court.

#### PUBLIC IMPORTANCE.

As appears from the annexed affidavit of Leonard C. Marschall, respondent has also granted licenses under its patents to each of the following companies:

General Electric Company.

Westinghouse Electric & Manufacturing Company.

Webster Electric Company.

Acme Electric & Manufacturing Company.

Dongan Electric Manufacturing Company.

Montroy Electric Company.

Reynolds Electric Company.

Thordarson Electric Manufacturing Company.

It also appears that the patent here involved is being used as the basis for domination of not less than 75% of the electric transformers now being manufactured and sold for use in the very extensive and important neon sign industry. The same electric transformers



are also ideally adapted for, and are now being extensively used in, the newly developed and rapidly progressing fluorescent lighting industry. It is not unlikely that respondent's domination in this latter industry will be of an order equal to that present in the neon sign industry.

The patent here involved thus affects two very important industries; practically all of the large and important manufacturers therein have been concentrated thereunder by virtue of the licenses issued by respondent. Through its licensing system respondent, moreover, exercises price control of the transformers made and sold by all of these companies.

So far as is known to petitioner, respondent's patent has not been placed in litigation since the decision of the Court of Appeals for the Sixth Circuit in 1939 (106 F. (2d) 608). Hence, the small percentage of unlicensed transformers being manufactured and sold in this country either do not come within the apparent scope of respondent's patent or respondent has been unwilling to place its patent in jeopardy.\*

The failure of respondent to litigate its patent against the small percentage of unlicensed competitors, and its conduct in the *Jefferson-France* litigation, show that respondent is determined to avoid an adjudication of the broad claims of its patent. So long as respondent is possessed of these claims, respondent is in position to dominate and control two very important Am-

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\* The France Company, which was adjudged an infringer in the Sixth Circuit, subsequently placed on the market a modified electric transformer which respondent sought to include in the *France* accounting as an infringement. The District Court (35 F. Supp. 835, 836) ordered the Master to exclude this device from the accounting and held that the differences required "a trial by a new action." Respondent to date has not instituted a new action against France.

erican industries. The mere estoppel of petitioner, as of any other licensee, may henceforth, according to the Court below, be used by respondent, in lieu of actual validity, as warrant for the exercise, through its vast licensing system, of effective price control in those industries.

From the foregoing, it is also evident that this Court may never have an opportunity to resolve a conflict between decisions of different Circuit Courts of Appeals upon the patent here involved. All this emphasizes the public and economic concern which should constrain this Court to review the judgment below.

#### PRAYER.

WHEREFORE, your petitioner respectfully prays that a Writ of Certiorari be issued out of and under the seal of this Honorable Court directed to the Circuit Court of Appeals for the Seventh Circuit, commanding that Court to certify and send to this Court, for its review and determination on a day certain to be therein named, a full and complete transcript of the record and all proceedings in the case numbered and entitled on its docket "No. 7534, *Jefferson Electric Company, Plaintiff-Appellee v. Sola Electric Company, Defendant-Appellant*," and that said judgment of the Circuit Court of Appeals for the Seventh Circuit may be reviewed by this Honorable Court and that your petitioner may have such other and further relief in the premises as to this Honorable Court may seem meet and just.

SOLA ELECTRIC COMPANY,

By LESLIE W. FRICKE,

J. BERNHARD THIESS,

SIDNEY NEUMAN,

*Its Attorneys.*

**AFFIDAVIT OF LEONARD C. MARSHALL IN SUPPORT OF  
PETITION FOR WRIT OF CERTIORARI.**

**State of Illinois, County of Cook, ss.**

Leonard C. Marshall, being duly sworn, deposes and says that he is of mature age, a resident of LaGrange, County and State aforesaid, and is sales manager of Sola Electric Company, petitioner in the foregoing petition;

That he knows and is familiar with the amount of business transacted by practically all of the principal manufacturers of electric transformers manufactured for use in the neon sign lighting industry in this country and sold in competition with the products of his company; that in addition to the Jefferson Electric Company, owner of the patent here involved, such companies are:

General Electric Company.

Westinghouse Electric & Manufacturing Company.

Acme Electric & Manufacturing Company.

Dongan Electric Manufacturing Company.

Montroy Electric Company.

Reynolds Electric Company.

Thordarson Electric Manufacturing Company.

That the Jefferson Electric Company has issued licenses under its patent here involved to each of said companies, is collecting royalties therefrom, and is fixing the prices at which electric transformers for use in the neon sign lighting industry are sold; the Jefferson Company has also issued a license under its patent to the Webster Electric Company, but this company is an inactive licensee;

That based upon his knowledge of the number of electric transformers used in said industry, the Jefferson Company, and its active licensees, including affiant's company, supply between 75% and 85% of the total; the price schedules issued from time to time by the Jefferson Company purport to affect all of these transformers; and

That the said electric transformers are highly useful in the satisfactory operation of neon signs and are also currently being manufactured and sold for use in the newly developed fluorescent lighting industry.

LEONARD C. MARSCHALL.

Subscribed and sworn to before me this 7th day of March, 1942.

ANNE E. RYAN,  
*Notary Public.*

(SEAL)





## BRIEF FOR PETITIONER IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

### OPINIONS OF THE COURTS BELOW.

The District Court did not render an opinion, but simply entered an order of dismissal which will be found at page 57 of the Record.

The opinion of the Circuit Court of Appeals, written by Judge Sparks, is reported only at 52 U. S. P. Q. 117, and will also be found beginning at page 66 of the Record.

### JURISDICTION.

The date of the judgment to be reviewed and other details justifying jurisdiction, are set forth at page 8 *ante* of the accompanying Petition.

### STATEMENT OF THE CASE.

The facts pertinent to the questions presented are stated in the Petition and in the interest of brevity are not repeated here.

### SPECIFICATION OF ERRORS.

The errors which petitioner will urge if the Writ of Certiorari is issued are that the Court of Appeals for the Seventh Circuit erred:

1. In affirming the order of the District Court for the Northern District of Illinois which dismissed petitioner's counterclaim, as amended;
2. In failing to remand the cause and direct the said District Court to overrule respondent's Motion to Dismiss the counterclaim, as amended;
3. In failing to hold that the said counterclaim, as amended, states a proper and valid cause of action.

## SUMMARY OF ARGUMENT.

Petitioner adopts its "Reasons for Allowance of the Writ" set forth in the petition (*ante* pp. 10, 11) as a summary of its argument. In the interest of brevity these points will not be repeated here. For further convenience and simplification Reasons Nos. 1, 2 and 3 will be grouped together and argued as the "First Point" and Reason No. 4 will be presented as the "Second Point."\*

## ARGUMENT.

**First Point**—THE PUBLIC POLICY AS TO PATENTS REQUIRES THAT THE RIGHTS OF THE PATENTEE AND THE PUBLIC BE ADMINISTERED BY AN EQUALLY FIRM HAND. THE PRINCIPLE OF IMPLIED PATENT LICENSE ESTOPPEL IS NOT SO CONTROLLING THAT IT OVERRIDES PARAMOUNT PUBLIC INTERESTS AS EMPHASIZED BY PRICE FIXING PROVISIONS IN THE LICENSE ITSELF OR BY THE PREVIOUS WRONGFUL CONDUCT OF THE LICENSOR IN AVOIDING AN ADJUDICATION OF THE BROAD CLAIMS UNDER WHICH HE INSISTS ON CONTROLLING PRICES.

Is a Federal Court, sitting as a court of equity, as impotent as the opinion of the Court below suggests? Is a Federal Court restricted both by the Patent Laws and by judicial interpretation from relieving against a patent license estoppel when the latter collides with public policy? The answers to these questions, raised by the first point, and the error into which the Court

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\* For relevant parts of statutes directly and indirectly involved, see Appendix A, *post*, p. 33.

below fell, may be shown by considering (1) the true nature of public policy as to patents, and (2) the controlling force of the rule of patent license estoppel as affected by the paramount considerations of that policy.

**1. The True Nature of the Public Policy as to Patents.**—In *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, Mr. Justice Clark stated that since *Pennock v. Dialogue*, 2 Pet. 1, this Court has consistently held that the primary purpose of the Patent Laws was not the creation of private fortunes for patent owners but “to promote the progress of science and useful arts” and he quoted the following significant statement from *Kendall v. Winsor*, 21 How. 322, 327:

“It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public or community at large was another and doubtless the primary object in granting and securing that monopoly.”

The law, in allowing the grant of a patent, has not failed to protect the rights of the public; on the contrary, it has safeguarded them. Thus, while patentees have rights, the public has rights also. “The rights of both should be upheld and enforced by an equally firm hand, wherever they come under judicial consideration” (*Densmore v. Scofield*, 102 U. S. 375, 378).\*

If there has been any question as to the true nature of public policy as to patents and the relative importance of the public and private interests involved in every grant of a patent, it was recently settled by Mr.

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\* Quoted with approval by Mr. Justice Black in his dissenting opinion in *Exhibit Supply Co. v. Ace Patents Corp.*, Nos. 154, 155, 156 to the October 1941 Term, 86 L. Ed. 95.



Chief Justice Stone, in *Morton Salt Co. v. G. S. Suppiger Co.* (86 L. Ed. 317, 319), when he stated, in part, that "the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the invention."

The functions of the Federal Courts in carrying out this policy were stated by the Chief Justice to be as follows (p. 319):

"... courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest. . . .

"... The patentee, . . . of an exclusive privilege granted in the furtherance of a public policy, may not claim protection of his grant by the courts where it is being used to subvert that policy." (p. 320).

If a court may appropriately withhold its aid from a patent owner, to safeguard public interests, it necessarily has the power to grant its aid by relieving against an estoppel to secure the same result. In *Pope Manufacturing Co. v. Gormully*, 144 U. S. 224, because of an issue of public policy, this Court relieved against an express covenant not to contest the validity of, or infringe upon, certain patents and permitted an inquiry into those patents.\* This Court then said (p. 234):

"... It is as important to the public that competition should not be repressed by worthless pat-

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\* See the companion cases, Nos. (2) and (4), 144 U. S. 238 and 144 U. S. 254, respectively, where it appears that the patent infringement complaints also pleaded the contract estoppel. Because of the ruling in the main contract action, this latter ground was not further considered and the cases were treated as ordinary actions for infringement.

ents, as that the patentee of a really valuable invention should be protected in his monopoly."

In the instant patent license, there has been no express acknowledgment by petitioner of validity, nor has petitioner expressly covenanted not to contest validity; on the contrary, the estoppel arises by implication only.

Quite obviously, the Court below should not have taken the view that public policy favored only the patentee.

**2. The Patent License Estoppel Is Not a Controlling Legal Principle Which Overrides Public Policy.—**

Estoppels are highly technical. They sometimes compel a person to admit that to be true which is not true (*Westinghouse Electric & Mfg. Co. v. Formica Insulation*, C. C. A. 6, 288 Fed. 330), and act upon a theory which is contrary to the truth (*Simm v. Anglo-American Telegraph Co.*, 5 Q. B. D. 188, 202). It is consequently fundamental that they should not be applied except where clearly justified.

The implied estoppel of a licensee to dispute the validity of his licensor's patent was developed by the courts on the basis of a landlord-tenant analogy. In the note "Estoppel Based on Relationship" 39 Harvard L. R. 637, it is stated that it is "doubtful whether the analogy is sound." True, the estoppel has become a part of the law, "but doubts as to its soundness have caused the grounds for it to be critically examined and to be restricted rather than enlarged" (Kirkpatrick, J., *Chance v. Lehigh Nav. Coal Co.* (D. C. E. D. Pa.) 25 F. Supp. 532).

However, the Court below evaded its responsibility of re-examining the principle in the light of the public policy involved and held that, consistent with a public

policy favoring only the patentee, resort to Congress was necessary for any departure from the well settled principles.\*

Re-examination of the rule of patent license estoppel is clearly required because adherence thereto in the instant case collides with the more embracing question of public policy as presented here by (a) the price fixing provisions of the license upon which the estoppel was predicated or (b) respondent's conduct in the *Jefferson-France* litigation in avoiding an adjudication of the claims under which the estoppel is now asserted.

**(a) The Price Fixing Provisions Presented a Matter of Public and Economic Concern Which Required the Implied Estoppel to Yield.**—Public policy is a vital factor in the consideration of patent licenses, because they sometimes create by contract, rights—apart from the exclusive patent privilege to “make, use and vend”—which the Patent Laws neither contemplated nor authorized. It is thus well settled that a patent owner, by contract, may not enlarge his monopoly and thus acquire some other which the patent statutes and the patent together did not give (*Ethyl Gasoline Corp. v. United States*, 309 U. S. 436, 457). That the public is interested, *eo instanti* in a license, under a patent, which seeks to control unpatented materials or devices which are not included in the exclusive privilege to “make, use and vend” is apparent from the decision of this court in *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502.

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\* Cf. *Helvering v. Hallock*, 309 U. S. 106, 121, where Mr. Justice Frankfurter observed that the courts walk on quicksand when they “try to find in the absence of corrective legislation a controlling legal principle,” and that (p. 122) “The real problem is whether a principle shall prevail over its later misapplications.”

Holding, in effect, that the power of a patent owner to contract in restraint of trade is restricted to "just what his inventive genius has discovered," this Court said in the *Motion Picture Patents Case* (243 U. S. 502, 513).

"... It is all that the statute provides shall be given to him and it is all that he should receive, for it is the fair as well as the statutory measure of his reward for his contribution to the public stock of knowledge."

The public is entitled to free competition in a device which is a part of the public domain, and hence, the public is injured and its interest arises when a patent owner collects royalties upon, controls the price of, or represses competition in such a device.

This paramount public interest was clearly recognized by respondent when it agreed that the price fixing provisions of the license should be effectual "so long as such devices continue to be covered by" respondent's patents. Petitioner and the public, as well, were accordingly freely endowed by the instant patent license with everything in the public domain.

Thus on the face of the very contract before the Court, public policy was present.

The Court below held, however, that it was powerless to relieve against a technical estoppel, created solely by that contract, and inquire into the validity of the merely *prima facie* valid claims to test whether or not the public policy was being subverted. The Court refused to apply as analogues already settled by this Court, the rules (a) that a patent owner is confined to profits derived from the patented invention,\* (b) that a

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\* *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, 517—see also *American Lecithin Co. v. Warfield Co.* (C. C. A.—7), 105 F. (2d) 207.



patent owner may not control or fix the price at which unpatented materials or articles may be sold by his licensee,\* and (c) that public interest requires a patent monopoly to be predicated upon the statutory requirement of invention and not upon mere inference from the previous conduct of a member of the public.†

For example, it was held in *Carbice Corporation v. American Patents Development Corporation*, 283 U. S. 27, that the attempt there to employ a patent to secure a limited monopoly upon unpatented materials was "analogous to the use of a patent as an instrument for restraining commerce which was condemned, under the Sherman Anti-Trust Law in *Standard Sanitary Mfg. Co. v. United States*, 226 U. S. 20."‡ The same result was reached by this Court in *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458; *Morton Salt Co. v. G. S. Suppiger Co.*, 86 L. Ed. 317; and *B. B. Chemical Co. v. Ellis*, 86 L. Ed. 320.

Because of the public policy present, the implied estoppel should have been subordinated to an inquiry into the actual validity of the patent claims as authorized by the patent statutes and as prayed in petitioner's counterclaim. The public's right to free competition

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\* *Carbice Corp. v. American Patents Corp.*, 283 U. S. 27; *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458.

† *Haughey v. Lee*, 151 U. S. 282; *Paramount Public Corp. v. American Tri-Ergon Corp.*, 294 U. S. 464.

‡ The following from the *Standard Sanitary* case is pertinent:

"Rights conferred by patents are indeed very definite and extensive, but they do not give any more than other rights an universal license against positive prohibitions. The Sherman law is a limitation of rights, rights which may be pushed to evil consequences and therefore restrained." (226 U. S. 49.)

in a device belonging in the public domain should not have been foreclosed by this petitioner's implied admission of validity.

The issuance of patents is expressly made to depend upon considerations of novelty, utility and invention (R. S. § 4886; Appendix A, *post*, p. 33). But the actual presence of these prerequisites must be ascertained by the courts in actions arising under the Patent Laws because "a patentee is not entitled to the public protection, unless the supposed improvement involves actual invention" (*Dunbar v. Myers*, 94 U. S. 187).

The Court below has substituted for actual validity the estoppel of petitioner as created by its implied admission of validity, to the prejudice of the public.

**(b) Respondent's Conduct Afforded Ample Ground For Relieving Against the Estoppel in the Interest of Public Policy.**—Respondent's covenant to enforce its patents and prevent unlicensed competition was a dependent and concurrent one which must be considered *in pari materia* with the obligations to pay royalties and maintain fixed prices (*Loud v. Pomona Land & Water Co.*, 153 U. S. 564, 573, 576). It was the only vehicle by which the exemptions and releases provided for in paragraph 11b could be brought into effect.

It is elemental that a party should not be permitted to take advantage of his own wrong. Thus where obligations are to be fixed and benefits are to arise, in accordance with a contract, upon the occurrence of a future act, the law does not allow a party to place any obstacle in the way of the happening of such event. This is particularly true where the event is dependent, in whole or in part, on his actions (*Williams v. The Bank of the United States*, 27 U. S. 96, 102; *St. Louis Dressed Beef Co. v. Maryland Casualty Co.*, 201 U. S. 173).

Moreover, that public interests are concerned with respondent's course of conduct in the *Jefferson-France* case and the right now asserted to invoke an estoppel against petitioner appears from *Morton Salt Co. v. G. S. Suppiger Co.*, 86 L. Ed. 317, 319, where it was said:

"Undoubtedly 'equity does not demand that its suitors shall have led blameless lives' . . . but additional considerations must be taken into account where maintenance of the suit concerns the public interest as well as the private interests of suitors."

Respondent, by withdrawing the broad claims from contest, prevented the contingency set up in paragraph 11b from being fulfilled—there being no doubt as to the view of the Court of Appeals for the Sixth Circuit as to the invalidity of the broad claims.\* Is not respondent now disqualified from opposing a showing by petitioner of the undoubted fact of invalidity which will relieve petitioner and the public of monopolistic and unwarranted control under those claims?

Respondent's withdrawal of the claims from contest in the *Jefferson-France* case was brought about by (a) a conclusion that the claims were not infringed or (b) a conclusion that they were invalid and would be so declared by the Court.

The first must be eliminated. Respondent had itself originally determined that these claims were infringed (R. p. 51). Moreover, if France infringed a narrow claim, there was infringement *a priori* of the broad claims.

If respondent concluded that the claims were invalid (as must be the case) its strategy was dictated by these considerations:

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\* See Appendix B, *post*, p. 35.

(a) If all of the claims were left in suit and all found not infringed or invalid, not only would respondent lose its suit but also its vast licensing system, and price control would be destroyed; and

(b) If the three narrow claims left in suit were found not infringed or invalid, respondent would nevertheless be in possession of its broad claims and thus still in a position to dominate its licensees and exercise price control.

The public is obviously vitally interested in the conduct of respondent which has enabled respondent to avoid an adjudication of the broad claims of its patent in the face of a direct challenge to their validity and still have the right to control prices thereunder in two very important industries.

Truly we say that on a principle akin to the equitable maxims that a party seeking equity must do equity or have clean hands respondent has disqualified itself from claiming the benefit of the patent license estoppel.

The Court below agreed with respondent's contentions that it alone had the right to determine which claims would be finally adjudicated in the *France* litigation. This is begging the issue and confuses the right to control a law suit with the contract rights of petitioner and the resultant rights of the public in devices found by the Court in the Sixth Circuit to be in the public domain.\*

We submit that the Court below should have held that respondent's conduct also afforded ample grounds of

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\* cf. *Morton Salt Co. v. G. S. Suppiger Co.*, 86 L. Ed. 317, 320:

"... It is the adverse effect upon the public interest of ... the patentee's course of conduct which disqualifies him ... regardless of whether the particular defendant has suffered ..."



relieving, in the interest of public policy, against petitioner's implied estoppel.

**Second Point—THE JEFFERSON-FRANCE DECISION NECESSARILY ADJUDICATED THE SUBJECT MATTER OF THE BROAD PATENT CLAIMS TO BE OLD AND PUBLISHED TO THE WORLD THAT THE PATENT MONOPOLY THEREOF WAS DESTROYED. THIS WAS THE EQUIVALENT OF AN ADJUDICATION OF INVALIDITY WITHIN THE MEANING OF THE LICENSE AND EFFECTED THE RELEASE OF DEVICES COVERED ONLY BY SUCH CLAIMS.**

Because petitioner urged that the Sixth Circuit decision published to the world the invalidity of the broad claims of the patent and that hence there was an equivalent of the adjudication of invalidity contemplated by the license as to the devices covered only by these claims, it was incumbent upon the Court below to consider and construe the decision.

The Court has purported to do so and has found that there is no language in the decision which bears out the statement that the Sixth Circuit Court, "inferentially at least, declared those withdrawn claims invalid."

This holding is clearly erroneous, as we shall now demonstrate.

After consideration of the evidence adduced in the *Jefferson-France* case, including a careful analysis of prior patents, publications and uses, the Sixth Circuit Court of Appeals said (106 F. (2d) 608):

"It will be seen from this resumé of earlier patents and prior use that the balanced transformer belonged to the public at the time appellee's assignors applied for their patent and that mid-point grounding for the purpose of cutting in half dangerous voltage was in use in transformers of the unbalanced type."\*

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\* Emphasis supplied.

If plaintiff's assignors had not invented the "balanced transformer" and if such devices generally belonged to the public and were beyond the scope of the monopoly of the patent, what then had they invented and what was the monopoly which plaintiff was entitled to? The Sixth Circuit Court of Appeals answered these inquiries thus (106 F. (2d) 609):

"Appellee's assignors were the first to design a transformer with the midpoint ground placed with a definite relationship to the coils, shunts and core of the transformer, . . . . **This was a combination of the balanced transformer and the midpoint ground, which had theretofore been used in the unbalanced transformer. . . . It is true that the step taken by them was short, but it had theretofore escaped the skill of the art, although an intensive effort had been made to find it.**"\*

The Sixth Circuit Court of Appeals thus found that the step taken by plaintiff's assignors "was short"; in other words, they had merely transferred the "midpoint ground" theretofore used in the old "unbalanced transformer" to the old "balanced transformer."

The plain truth is that the Sixth Circuit Court of Appeals found that a "balanced transformer" was old; also that a "midpoint ground" was old. The *specific combination* of the two, was solely and precisely that which was found by the Court to be *new* and *patentable*.

In Appendix B, *post*, p. 35, we have set out the pertinent portions of the decision of the Sixth Circuit Court of Appeals in the *Jefferson-France* case adjudicating (a) what was old and (b) the precise patentability of the short step taken by respondent's patentees. The side-by-side comparison of the claims there presented conclusively demonstrates that broad claim

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\* Emphasis supplied.

No. 13 withdrawn from contest by respondent and now asserted against petitioner is directed to a "balanced transformer" which the Court found "belonged to the public" and does not expressly or impliedly contain the specific combination which the court considered inventive (*post*, p. 39).\*

Hence the *Jefferson-France* decision published to the world that the monopoly of the broad claims of respondent's patent does not exist in fact. It was the full equivalent of an adjudication of the invalidity of such claims within the meaning of the patent license and the Court below should have so held.

If it was held in the Sixth Circuit that a balanced transformer belonged to the public and if the broad claims only define such device, then it cannot be disputed that petitioner has been *evicted* under its license by the paramount title of the public in such devices. Paragraph 11b of the license was undoubtedly bottomed on the same considerations which underlie the doctrine of *eviction*.

In *Drackett Chemical Co. v. Chamberlain Co.* (C. C. A. 6), 63 F. (2d) 853, after a careful review of the de-

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\* Respondent will argue, as was held by the Court below, that the Sixth Circuit Court expressly declined to hold the withdrawn claims invalid. This is not true. That Court was asked to declare the entire patent invalid for respondent's failure to file a disclaimer under 35 U. S. C. §§ 65, 71, after respondent became aware of the invalidity and withdrew the claims from contest. It was apparently assumed by the Court that the claims were invalid, but it was held that no duty to disclaim had arisen because the invalidity had not been previously judicially determined. (106 F. (2d) 610, 611.) For confirmation hereof, see the petition for certiorari filed in *France Mfg. Co., petitioner, v. Jefferson Electric Company, respondent*, No. 626, to the October, 1939, Term of this Court. (Denied Jan. 29, 1940, 309 U. S. 657.)

cisions on eviction in the case of patent licensees, the Court stated:

" . . . It is only when by Judicial decree or otherwise, it is published to the world that the monopoly is destroyed, that the licensee can claim a corresponding release from his obligation to pay royalties."

Where a licensor has covenanted to enforce his patent and the obligations of the licensee to pay royalties are conditioned upon the enforceable validity of the patent, conduct of the licensor abandoning part of his supposed domain of enforceability and a decision of a competent tribunal delimiting validity should be held to result in a corresponding *pro tanto* eviction of the licensee which permits the licensee to dispute the validity of the patent. If this is not true, a patent licensor is thus empowered during the life of its patent to continue to avoid an adjudication of its broad claims while still asserting that a licensee is bound by its license in the event it should manufacture a device covered only by these claims.

Must petitioner wait until respondent chooses to sue upon the broad claims before petitioner can secure a formal adjudication of their clear invalidity and share in the rights of the public to the subject matter defined therein?

It is futile to argue or to hold that petitioner should waive its entire license. It must be remembered that one device manufactured and sold by petitioner is admittedly covered by the narrow claims. Thus it is obviously unjust to force petitioner to jeopardize its investment in tools and dies necessary to make said device in its various sizes and to become a deliberate infringer of adjudicated valid narrow claims as to



this device in order to secure a formal declaration of the invalidity of the broad claims as to other devices.

The license emphasizes the separability of the claims of the patents and contemplated that petitioner did not have to yield the entire license in order to obtain the right to manufacture devices covered only by invalid claims. The purpose of paragraph 11b of the license was to relieve petitioner of the necessity of renouncing the license in order to take advantage of an eviction. Whether the decision of the Sixth Circuit Court constitutes an eviction or is regarded as the equivalent of an adjudication of invalidity, the result is the same, i.e., devices covered only by invalid claims have been released of the burdens of the license.

Since there are probably hundreds of patent licenses, with similar provisions, now in force, an important question of patent license construction is raised by this case.

### CONCLUSION.

The questions raised by the Petition are of public and economic importance.

The Court below has rendered a decision which is ill considered and which creates novel and erroneous doctrines of the law. The decision involves a patent which affects two very important industries and the issue is one of substance which calls for a review by this Court.

Respectfully submitted,

LESLIE W. FRICKE,

J. BERNHARD THIESS,

SIDNEY NEUMAN,

*Counsel for Petitioner.*

Chicago, Illinois,

March 7, 1942.

## APPENDIX A.

### Statutes Involved.

The statutes which are necessary to be considered are as follows:

Section 4886 of the Revised Statutes (Act of July 8, 1870, C. 230, § 24, 16 Stat. 201, as amended; 35 U. S. C. § 31):

"Any person who has invented or discovered any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvements thereof, or who has invented or discovered and asexually reproduced any distinct and new variety of plant, other than a tuber-propagated plant, not known or used by others in this country, before his invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country, before his invention or discovery thereof or more than one year prior to his application, and not in public use or on sale in this country for more than one year prior to his application, unless the same is proved to have been abandoned, may, upon payment of the fees required by law, and other due proceeding had, obtain a patent therefor."

\* The Sherman Act of July 2, 1890, 26 Stat. 209, as amended (15 U. S. C. Secs. 1 and 2):

"Sec. 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal . . . Every person who shall make any contract or engage in any combination or conspiracy hereby declared to be illegal shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceed-

ing \$5,000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court:

"Sec. 2. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

The Clayton Act, of October 15, 1914, 38 Stat. 730 (15 U. S. C., Sec. 14):

"Sec. 3. It shall be unlawful for any person engaged in commerce, in the course of such commerce, to . . . make a sale or contract for sale of goods, wares, merchandise, machinery, supplies, or other commodities, whether patented or unpatented, for use, consumption, or resale within the United States . . . or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies, or other commodities of a competitor or competitors of the lessor or seller, where the effect of such lease, sale, or contract for sale or such condition, agreement, or understanding may be to substantially lessen competition or tend to create a monopoly in any line of commerce."

## APPENDIX B.

### Pertinent Portions of Opinion of Circuit Court of Appeals, Sixth Circuit.

France Mfg. Co.                     }  
                   v.                        }  
 Jefferson Electric Co.} No. 8121.

(Reported: 106 F. (2d) 605.)

Before SIMONS, ALLEN, and HAMILTON, Circuit Judges.

HAMILTON, Circuit Judge.

Appellee, Jefferson Electric Company, instituted this action against appellant, France Manufacturing Company, to restrain alleged infringement of mechanical patent No. 1,777,256, applied for July 16, 1928, and issued September 30, 1930, to appellee, assignee of James C. Daley, Edwin G. Goddard and Joseph J. Sola, patentees.

The patent relates to an electric transformer of balanced design and is an improvement on the earlier patent of Daley, *et al.*, No. 1,786,422, of unbalanced design and for which application was filed November 11, 1927, and issued December 30, 1930.

Appellee relies on claims 8, 14 and 19 of the patent which the lower court held valid and infringed.

Farraday was the originator of the transformer. He discovered that if two coils of wire were wound on the same iron or soft steel, magnetic circuit, one primary and the other secondary, and an alternating current passed through the primary, it would induce a like current in the secondary. Disregarding the small loss of energy due to eddy currents and other causes, the voltages of the secondary and primary current may be regarded as in the same ratio as the number of turns of wire on the two coils and the current strength in the two coils as in the same ratio inverted. Hence, if de-



sired to raise the voltage and diminish the current from an alternating current dynamo by 100-fold to save the heat loss in long distance transmission, it is necessary only to introduce a step-up transformer, the secondary of which has about one hundred times as many turns of wire as the primary. At the place where it is to be used the high voltage may be reduced again to any desired extent by employing a device that is the reverse of the step-up transformer. Many inventors have turned their genius to the improvement of the details of Faraday's fundamentally simple device and have developed a transformer with a magnetic core circuit, laminated to reduce eddy currents and with high insulation of the secondary coils from each other and from the primary coils.

The patent in suit relates to a transformer with a magnetic core surrounding and inclosing the electrical windings, and is suitable for neon signs. It is of the compact housing shell type. Its core structure is composed of two stacks of E-shaped stampings, with its primary or low tension windings disposed about the middle of the central leg of the core. Its secondary or high tension windings are of two separately formed coils disposed at the end of the central leg of the core with one on each side of the low tension or primary winding. The outer ends of these coils are the connecting high tension leads to the neon tubing and the inner ends of the coils are connected electrically and also arranged to ground which creates a midpoint ground for the high tension winding.

Magnetic shunts composed of small stacks of laminations placed transversely of the main central and two outer legs of the core structure are located on each side of the primary coil. Small gaps are left at the ends of the shunts tightly filled with non-magnetic material. The arrangement of the transformer is referred to in the art as balanced, which means dividing the secondary windings with the primary between and with two magnetic shunt paths on opposite sides of the primary

so as to come between it and each of the secondary coils.

In the prior art, Elihu Thompson was known as the "father" of electric safety grounding because he introduced the grounded secondary in the transformer as a means of saving life. In his patent No. 400,515, issued April 2, 1899, he stated the object of his invention was to construct a device of a self-regulating character resulting in an automatic adjustment or regulation of the current or potential in the coil forming the secondary when the resistance or current in the same varies. He proposed to do this by a combination with one or the other or both currents of the induction coil of an iron core included in the alternating or varying current circuits with parts brought into definite proximity to form a partial magnetic closure of the magnetic circuit of the core of a definite set value, according to the nature of the regulation of current or the potential desired in the induced circuit, such magnetic circuit being formed independently of the magnetic current which threads both coils of the converter. He used magnetic shunts.

It was also known to the art that a ground connection at the midpoint of the secondary was a useful protective measure where the secondary produced high voltage, but this device, when used in an unbalanced transformer, created the hazard of double current when a short circuit occurred and burned out the transformer without injuring the tubes, electrodes or wiring.

In Fessenden's induction coil, patent No. 64,390, issued July 24, 1900, he stated in order to prevent arcing between the primary and secondary coils, each should be grounded on the core. In the General Electric Review, Vol. 20, Issue No. 12, December, 1917, E. D. Treanor of the Transformer Engineering Department of the General Electric Company, in describing the operation of the series incandescent street lighting circuits with double transformers, explained the location and use of ground connections at mid-point of secondaries in the transformer series to save damage to them or to the wiring and lamps when short circuited.

In Daley and Goddard No. 1,786,422, of which ap-

pellee's device is an alleged improvement, there is shown a single primary coil surrounding one portion of the magnetic core and two secondary coils around another portion and a shunt between them, with a ground connection from the midpoint of the double secondary. The transformer there described was unbalanced.

The shell type of transformer construction is shown in Stanley's patent No. 428,575, issued May 20, 1890.

The art of building balanced transformers was well developed and generally known as early as 1908. The method of dividing the secondary and placing the primary winding in the division with magnetic shunt paths on the opposite side of the primary so as to come between it and each of the secondary coils was explained by Troy in patent No. 895,914, issued August 11, 1908.

In 1925, the American Transformer Company built, and the Fansteel Products Company, of Illinois, had in use at the time of the trial, one 35-KVA high frequency converter with a balanced transformer without a midpoint ground.

In February, 1928, appellant built and sold to Montgomery-Ward Company a low voltage "5-6 ampere dry charger" with a shell type transformer without midpoint grounding but with the primary in the center and a secondary on each side with shunts between and also a leg down the center.

It will be seen from this resumé of earlier patents and prior use that the balanced transformer belonged to the public at the time appellee's assignors applied for their patent and that midpoint grounding for the purpose of cutting in half dangerous voltage was in use in transformers of the unbalanced type.

Appellee's assignors were the first to design a transformer with the midpoint ground placed with a definite relationship to the coils, shunts and core of the transformer, which limited the current in a short circuited coil to substantially no more than normal and limited

the free or ungrounded terminal voltage to approximately half of the full voltage. This was a combination of the balanced transformer and the midpoint ground, which had theretofore been used in the unbalanced transformer. This was done by placing old devices in new locations and through combination with other elements old in themselves, which secured a new and useful result, immediately recognized and adopted by the public. It is true that the step taken by them was short, but it had theretofore escaped the skill of the art, although an intensive effort had been made to find it.

We are of the opinion the patentees made an improvement of sufficient merit to measure up to the requirements of patentability.

#### **Comparison of Typical Broad and Narrow Claims.--**

The following side-by-side comparison of claims 13 and 14 of the patent in suit shows the clear invalidity of the former because either (1) it is directed only to a "balanced transformer" which the Court in the foregoing opinion found "belonged to the public" at the time of the application for patent or (2) it does not comprise the specific combination which the Court found was the sole patentable feature.

Claim 13 now asserted against petitioner (R. pp. 39, 40) was withdrawn from contest after the defendant France had attacked the validity thereof. Claim 14 is one of the three claims found to be valid.

#### *Claim 13.*

#### *Claim 14.*

Transformer means  
comprising the combina-  
tion of

Transformer means  
comprising the combina-  
tion of

(a) magnetic core means

(a) magnetic core means

(b) primary coil means

(b) primary coil means

(c) secondary coil means

(c) secondary coil means



- |  |   |
|--|---|
| <p>(1) one of said coil means consisting of a plurality of coil parts and</p> <p>(2) the other coil means being disposed between said coil parts and <i>in balanced inductive relation thereto and</i></p> <p>(d) shunt means disposed between the parts of the plural coil part means and the other coil means for reducing the voltage in the secondary coil means by saturation of the magnetic core.</p> | <p>(1) one of said coil means consisting of a plurality of coil parts and</p> <p>(2) the other coil means being disposed between said coil parts and <i>in balanced inductive relation thereto</i></p> <p>(d) shunt means disposed between the parts of the plural coil part means and the other coil means for reducing the voltage in the secondary coil means by saturation of the magnetic core and</p> <p>(e) <i>a ground connection between the coil parts of the plural coil part means.</i></p> |
|--|---|

The italicized portion of element (c) in each claim clearly reveals each to relate to a "balanced transformer."

The combination of italicized element (e) of claim 14 with the other elements (a) to (d) of claims 13 and 14 (a balanced transformer with magnetic shunts), was the "short step" which the Sixth Circuit Court of Appeals found to be the patentable invention. This combination is signally missing from claim 13. The latter is obviously the old "balanced transformer" which was said by the Court of Appeals to belong to the public.





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IN THE  
**SUPREME COURT OF THE UNITED STATES**

OCTOBER TERM, 1942.

No. 45.

**SOLA ELECTRIC COMPANY,**

*Petitioner,*

vs.

**JEFFERSON ELECTRIC COMPANY,**

*Respondent.*

ON WRIT OF CERTIORARI TO THE UNITED  
STATES CIRCUIT COURT OF APPEALS FOR  
THE SEVENTH CIRCUIT.

**BRIEF FOR THE PETITIONER.**

J. BERNHARD THIESS,

SIDNEY NEUMAN,

77 W. Washington St.,

Chicago, Illinois,

LESLIE W. FRICKE,

1237 Monadnock Bldg.,

Chicago, Illinois,

*Counsel for Petitioner.*





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ON WRIT OF CERTIORARI TO THE UNITED  
STATES CIRCUIT COURT OF APPEALS FOR  
THE SEVENTH CIRCUIT.

---

**BRIEF FOR THE PETITIONER.**

---

**Opinions Below.**

The opinion of the Circuit Court of Appeals upon the merits of the case is reported in 125 F. (2d) 322 and will also be found beginning at page 51 of the record. An earlier opinion of the Circuit Court of Appeals, overruling a motion to dismiss the appeal taken to that Court is reported in 122 F. (2d) 124.

The District Court did not render an opinion but merely filed a brief memorandum (R. 47) providing for an order of dismissal of petitioner's counterclaim (R. 48).

### **Jurisdiction.**

The judgment of the Circuit Court of Appeals was entered December 29, 1941 (R. 56) and became final on February 7, 1942, when a petition for rehearing was denied (R. 57). The petition for a writ of certiorari was filed March 9, 1942, and granted April 6, 1942 (R. 59).

The jurisdiction of this Court is conferred by Section 240(a) of the Judicial Code, as amended by the Act of February 13, 1925 (28 U. S. C., § 347).

### **Questions Presented.**

Respondent owns a patent relating to electric transformers largely used in the very extensive and important neon sign industry. Respondent has licensed petitioner to manufacture and sell under said patent and requires petitioner to sell at fixed prices only. The bill filed in the District Court is an action to recover royalties under the license. Petitioner manufactures and sells two transformers: one admittedly covered by the license, and a second or modified one which, if covered at all, is covered only by certain broad claims of the patent, of which respondent deliberately prevented a formal adjudication in a prior patent infringement suit, by withdrawing them after their validity had been put in issue. The decision of the Court in that case necessarily considered the subject matter of these broad claims in passing upon

other more narrow claims left in suit and found the device thereof to be in the public domain. Inasmuch as petitioner's license expressly provides that price fixing shall be applicable only "so long" as the purportedly licensed transformers "continue to be covered by said patents," petitioner now seeks a formal adjudication of the invalidity of the broad claims so as to effect a release of the second transformer from the burdens of the license, including the price control exercised by respondent.

The courts below having denied petitioner the right to controvert validity because of the principle that a licensee is estopped to deny the validity of the patent under which he is licensed, the questions presented are these:

1. Where public policy is raised in a patent license accounting suit, is a Federal Court, sitting as a court of equity, powerless because of a principle of patent license estoppel to determine the actual validity of merely *prima facie* valid patent claims? More specifically:

(a) Should an implied estoppel to contest the validity of patent claims yield in the interest of public policy at the behest of a licensee where, in a prior patent infringement suit involving the licensed patent, a competent court not only vitiated the *prima facie* validity of certain claims but also, in practical effect, found them invalid, and where, moreover, the patent license itself expressly emphasizes the public interest by providing for the release of devices covered only by invalid claims both from the imposition of royalty charges and the exercise of price control? And

(b) Is not a patent licensor estopped in the interest of public policy to invoke an estoppel against a licensee



to contest the validity of certain claims of the patent where by so doing he is taking advantage of his own deliberate avoidance of an adjudication of those claims after their validity had been directly challenged in previous patent litigation and where he is thus being empowered to fix prices under those claims?

2. Where, in adjudicating certain patent claims, a court has found patentability solely in a specific combination and has necessarily adjudicated certain subject matter to be old, is the effect thereof the equivalent of an adjudication of the invalidity of other claims of the patent which define only such old subject matter within the meaning of a license which provides for the release from its burdens of devices covered only by adjudged invalid claims?

An additional question to be discussed is that prescribed by the order of this Court, granting certiorari, as follows (R. 59):

- (1) Whether federal or state law applies, and
- (2) in the event that state law is held to govern, what the applicable state law is.

### Statement.

Respondent, Jefferson Electric Company, an Illinois corporation, sued petitioner, Sola Electric Company, a Delaware corporation, in the United States District Court for the Northern District of Illinois (R. 1-5), to recover royalties alleged to be due in accordance with the provisions of a license granted by respondent to petitioner (R. 5-10) under United States Letters Patent Nos. 1,777,256 and 1,786,422 relating to electric transformers (R. 11-22).

The case is here on certiorari to review the affirm-

ance by the Circuit Court of Appeals for the Seventh Circuit of the District Court's dismissal of petitioner's counterclaim which sought a declaration of the invalidity of certain of the claims of the '256 patent.

**(1) The Patent License**—The agreement which was entered into by respondent and petitioner on August 26, 1935, is in many respects the usual form of patent license whereby respondent, as recited owner of the two patents, granted to petitioner a non-exclusive license to manufacture, use and sell transformers "embodying the invention described and claimed" in said patents (R. 5-10). There is no express acknowledgment by petitioner of the validity of respondent's patents and there is no express stipulation by petitioner that it will not (even during the term of the license) contest the validity of the patents directly or indirectly. The relevant provisions of the license are as follows (R. 7, 8, 9):

"(5) Jefferson Company grants this license on the express condition that the prices, terms, and conditions of sale, for use or sale in the United States of America, its territories, dependencies and possessions, of transformers embodying any invention covered in the said patents, and so long as such devices continue to be covered by said patents, shall be no more favorable to the customer than those which from time to time the Jefferson Company establishes and maintains for its own sales and/or that of its other licensees of similar or competing transformers under such patents, [fol. 9] to such or other similarly situated customer purchasing in like quantities. The Sola Company shall be notified of all such prices, terms, and conditions of sale fixed by the Jefferson Company."

"(10) The Jefferson Company agrees that it will bring and diligently prosecute such suits for infringement of the patents under which this license is granted as may reasonably be necessary for enforcing those patents and preventing unlicensed competition."

"(11b) In the event that any of the claims of any Letters Patent under which a license is granted hereunder are held in any suit for infringement to be invalid or not infringed, or are awarded to another by a court of last resort or by a lower court or tribunal of competent jurisdiction from whose judgment no appeal is taken or certiorari granted within the period allowed therefor, then with respect to any claim so held to be not infringed the construction placed upon the claim by such court shall be followed with respect to acts occurring after the date of entry of the judgment or decree of such court or the issuance of the mandate, and with respect to any claims held invalid or awarded to another, the licensee shall be relieved from including in its reports hereunder transformers shipped, and acts performed, after the date of entry of the judgment or decree, or the issuance of the mandate of such court or tribunal, covered only by such claims, provided, however, that if there are two or more such final judgments, decrees, or mandates with respect to the same claim, the one more favorable to the claim shall be followed if, and so long as there is reasonable ground to believe that that judgment, decree, or mandate is correct."

Respondent's '256 patent (R. 11), which as will presently appear, is the only patent here involved, contains broad and narrow claims, and at the time of the issuance of the license to petitioner was unadjudicated.

Accordingly, the intent of the parties to the patent license is not obscure and was as follows:

Petitioner promised respondent that it would pay royalties and maintain fixed prices only so long and on such of petitioner's devices as were covered by claims of the patent whose validity was unimpaired by adverse judicial decision. Respondent, conversely, agreed that petitioner was to have the right to manufacture and sell the devices covered only by adjudicated invalid claims freed of the burdens of the license without being required to repudiate the license as to devices defined by valid claims of the patent. The limiting phrase found in the price fixing provisions, i.e., "so long as such devices continue to be covered by said patents" obviously means that price control was to be effectual only in so far as respondent had valid patent claims and shows that the parties knew that public policy forbids the exercise of price control by respondent over devices not embraced by respondent's actual patent monopoly.

To insure judicial examination of the patent when its validity was disregarded by unlicensed competitors, respondent covenanted to bring suits for infringement to enforce the patent and prevent unlicensed competition. Following judicial examination of the patent, the rights and obligations of the parties were to be fixed at, or restricted in accordance with, the adjudged scope and validity of the patent.

**(2). The Jefferson-France Litigation**—The present controversy arose by reason of the following:

In March, 1936, subsequent to the issuance of petitioner's license, respondent brought suit in the United States District Court for the Northern District of Ohio, Eastern Division, against France Manufacturing Company, an unlicensed competitor, for alleged in-



fringement of respondent's patent No. 1,777,256 (R. 43). In that suit respondent originally charged infringement of all of the narrow claims and most of the broad claims of the patent. The answer filed by the France Company asserted the invalidity of each of the claims, placed in issue by respondent, by reason of prior patents, prior publications, and prior public use and sale (R. 43). Thus the validity of respondent's claims was *directly* challenged by the France Company and a definite issue as to the *actual* extent of respondent's patent monopoly was created in that suit. Later, upon the commencement of the trial, and in the face of this direct challenge to the validity of the broad claims, respondent withdrew them from contest (R. 43). If these claims are, in fact, void, respondent thus deliberately prevented a formal adjudication of their invalidity.

The Sixth Circuit Court of Appeals found in that case (*France Mfg. Co. v. Jefferson Electric Co.* (C. C. A. 6), 106 F. [2d] 605) that the narrow claims left in suit by respondent were valid and infringed. In reaching this conclusion, that Court necessarily found, upon a review of the prior art, that a "balanced transformer" which essentially is the only device defined by the withdrawn broad claims "belonged to the public" at the time that respondent's assignors applied for the patent. The Court sustained the narrow claims, because it found patentability solely in the *specific combination* of a "balanced transformer" which was *old*, and a "midpoint ground" which was *old*, it being expressly stated by the Court that this was a *short step* only. If not expressly, at least by clear implication, the Court's review of the prior art and its conclusion on patentability published to the world the invalidity

of any claim in respondent's patent which did not contain the specific patentable combination or which, conversely stated, only defined a "balanced transformer" found by the Court to be in the public domain.<sup>1</sup>

**(3) The Basis of Petitioner's Counterclaim**—Subsequently, in May, 1940, respondent commenced the present suit (R. 1). In its answer, petitioner admitted that its first transformer was covered by respondents license (R. 35) and averred that if the manufacture and sale thereof had not been accurately reported and fully accounted for, the same was "wholly through inadvertence" (R. 35). On the other hand, petitioner denied that its second transformer is covered by the patent claims properly construed (R. 36, 39-42). However, if the broad claims of respondent's patent withdrawn from contest in the *Jefferson-France* case are the only claims which reach petitioner's second transformer, and if they are, in fact, void because the device defined thereby is in the public domain, then obviously petitioner will be required to pay royalties for and respondent will be exercising price control over devices outside the scope of respondent's actual patent monopoly. As against that possibility, petitioner included the counterclaim (R. 43-45) here in issue in its answer and prayed for a declaration of the invalidity of the broad claims withdrawn from contest in

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<sup>1</sup> See Appendix B, *post* p. 52, where we present a side-by-side comparison of claim 13 (a typical broad claim withdrawn from contest and now asserted against petitioner) and claim 14 (a typical narrow adjudged claim) and demonstrate that the broad claim defines only a balanced transformer, does not contain the specific patentable combination and is thus, on the face of the Court's opinion, invalid.

the prior litigation. Petitioner justifies the counterclaim, as amended,<sup>2</sup> on the grounds:

(1) That respondent prevented a formal adjudication, in the prior suit, of the broad claims of the patent because of the effect of a finding of invalidity of such claims upon the patent license and thereby violated the intent of the parties to and the spirit of the license, and

(2) That respondent is attempting to exercise unlawfully price control over petitioner's devices which, if covered at all, are covered only by the broad claims of the patent which were withdrawn from issue in the prior suit and which are, in fact, void.

(4) **The Opinion of the Court Below**—The Circuit Court of Appeals affirmed the dismissal of petitioner's counterclaim because of the patent law principle that a licensee is estopped to deny the validity of the patent under which he is licensed. The Court of Appeals branded the counterclaim "an effort to override that principle" (R. 53, 54) and in practical effect held that petitioner should waive and give up its license and jeopardize its obvious investment in plant equipment by becoming a deliberate infringer of narrow adjudged valid claims, as to one of its transformers in order to establish the rights of the public in another transformer defined, if at all, only by broad but invalid claims.

Dealing with petitioner's insistence that, if the broad claims are in fact void, respondent is, in substance, im-

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<sup>2</sup> The clarifying amendment (R. 47) directly avers the invalidity of the disputed claims because of the prior patents, etc., set out in paragraph 14 of petitioner's answer (R. 40-42).

posing unjust charges upon and exercising price control over transformers not embraced by respondent's actual invention, the Court of Appeals held that public policy was not involved here because, "the public by its government has granted a patent" to respondent upon everything which was licensed to petitioner and that this "grant carries with it a presumption of validity until it is overcome by the judgment of a federal court" (R. 53). The Court consequently held that the record disclosed no attempt on the part of respondent "to fix prices upon anything not covered by the patent" and ruled that the situation hence is "not amenable to anti-trust laws in the interest of public policy" (R. 53).

The Court of Appeals refused to modify or restrict the principle of patent license estoppel in the interests of public policy and stated:

"Public policy from the beginning of our Government has favored the issuance of patents, and Congress and the courts, consistent with that purpose have protected them by legislation and judicial interpretation. It seems to us that the ends have justified the means. Any departure from the well-settled principles should be addressed to Congress and not the courts" (R. 54).

Petitioner also contended in the Court below that respondent was estopped to invoke a patent license estoppel against petitioner because it was the clear duty of respondent to keep the broad claims in contest in the former litigation if it thereafter intended to exercise price control under those claims or assert an estoppel against petitioner. The Court of Appeals found, however, that respondent discharged its obligations, apparently both public and private, by only establishing the validity of three narrow claims (R. 54).



### **Specification of Errors to Be Urged.**

The Circuit Court of Appeals erred:

1. In affirming the order of the District Court for the Northern District of Illinois which dismissed petitioner's counterclaim, as amended.
2. In failing to remand the cause and direct the said District Court to overrule respondent's Motion to Dismiss the counterclaim, as amended.
3. In failing to hold that the said counterclaim, as amended, states a proper and valid cause of action.

### **Summary of Argument.**

#### **I.**

The decision of the Court below is not sanctioned by the patent laws of the United States and federal public policy.

Price fixing is unlawful *per se* (*United States v. Socony Vacuum Co.*, 310 U. S. 150), and is permitted in patent licenses only because the public is not entitled to free competition in the subject matter of the patent (*Bement v. National Harrow Co.*, 186 U. S. 70, 91; *United States v. General Electric Co.*, 272 U. S. 476). Where a patentee fixes prices under an invalid patent, he obviously is exercising control over devices for which no patent monopoly lawfully exists in fact, and as to which consequently there can be no legal price fixing. Hence, where a patent license contains price fixing provisions, and the asserted licensed device is covered, if at all, only by invalid claims, any estoppel on the part of the licensee to contest the validity of the licensor's patent is clearly overcome by superior public interests.

No express provision of the patent laws gives a patentee the right to determine the price at which his licensees shall sell. Hence, public interest requires that the test of the exercise of that right, as being in furtherance of the purpose of the patent laws, should be actual invention, as determined through the medium of an appropriate action, as for instance, a declaratory judgment petition, and not the mere implied admission of validity of a licensee (*Dunbar v. Myers*, 94 U. S. 187, 199; *Hill v. Wooster*, 132 U. S. 693; *Haughey v. Lee*, 151 U. S. 282; *Paramount Public Corp. v. American Tri-Ergon Corp.*, 294 U. S. 464, 477).

The Court's ruling that, consistent with a public policy favoring patents, resort to Congress is necessary to override the rule of estoppel is indefensible.

A. Public policy, while favoring patents, also safeguards the rights of the public. In fact, the inventor's limited special privilege is subordinate to public interest which after all is the favorite of the law (*Pennock v. Dialogue*, 2 Pet. 1; *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502; *Morton Salt Co. v. G. S. Suppiger*, 314 U. S. 488; *United States v. The Masonite Corp.* [No. 723, Oct. 1941 Term, decided May 11, 1942], ... U. S. ....). It is as important to the public that competition should not be repressed by a worthless or invalid patent as that the patentee of a really valuable invention should be protected in his monopoly (*Pope Mfg. Co. v. Gormully*, 144 U. S. 224).

B. The rule of patent-license estoppel is not a controlling legal principle which overrides public policy. It is based on an unsound landlord-tenant analogy, and denying as it does petitioner's right to show the truth,

it should be restricted and not enlarged. The instant case requires a reexamination of the rule and a determination of its applicability where a license contains price fixing provisions and especially recognizes the dominant public concern by providing that the price fixing provisions should be effectual only so long as the licensee's devices are covered by valid patent claims. Public interests are moreover directly concerned with respondent's conduct in the previous patent litigation which has enabled respondent deliberately to avoid an adjudication of its patent claims in the face of a challenge to validity and yet have the right to exercise price control under such claims. By its conduct, respondent should be held to have disqualified itself from claiming the benefit of the patent license estoppel.

## II.

The decision of the Sixth Circuit Court of Appeals in the *Jefferson-France* litigation published to the world the invalidity of the broad claims of respondent's patent, because it is implicit in that decision that a claim is invalid if it does not embody the specific patentable combination or if it only defines a "balanced transformer" which the Court found to be old. It inevitably follows that the estate, which was supposed by all to belong to respondent by virtue of its broad claims, was judicially determined to belong to the public (*Ross v. Fuller & Warren Co.* (C. C. N. Y.) 105 Fed. 510), and thus the decision is the full equivalent of an adjudication of invalidity within the meaning of the provisions of the patent license, with the result that devices covered only by invalid patent claims are released from the burdens of the license.

## III.

The doctrine of *Erie R. Co. v. Tompkins*, 304 U. S. 64, properly is restricted to diversity of citizenship cases. Consequently it is inapplicable to the instant case, which does not depend for jurisdiction upon the citizenship of the parties, but upon federal statutes relating to patents. The need for uniformity of decision does not exist here because a federal court sitting in a non-diversity case such as this, does not sit as a local tribunal.

In any event, the questions involve judicial determination of rights and privileges under the Constitution and federal statutes, and are thus federal questions, to be disposed of in accordance with federal law and policy (*Prudence Realization Corp. v. Geist*, 316 U. S. 89, and cases there cited).

The relevant parts of statutes directly and indirectly involved are set out in Appendix A, *post*, p. 49.

## ARGUMENT.

## I.

WHERE A PATENT LICENSE CONTAINS PRICE FIXING PROVISIONS AND THE LICENSOR HAS PREVIOUSLY DELIBERATELY AVOIDED AN ADJUDICATION OF THE CLAIMS UNDER WHICH HE INSISTS ON CONTROLLING PRICES, PUBLIC POLICY REQUIRES THE ESTOPPEL OF THE LICENSEE TO YIELD TO AN EXAMINATION INTO THE ACTUAL VALIDITY OF THE PATENT CLAIMS.

The issuance of letters patent of invention, as authorized by the Constitution, has been expressly made by Congress to depend upon considerations of novelty, utility, and invention (R. S. §4886, 35 U. S. C. §31, Ap-



pendix A, *post*, p. 49). But the actual presence of these prerequisites must be ascertained by the courts in actions arising under the Patent Laws because a patentee "is not entitled to the public protection, unless the supposed improvement involves *actual invention*" (*Dunbar v. Myers*, 94 U. S. 187, 199). Thus, as was pointed out by Mr. Chief Justice White in his dissent in *Henry v. Dick*, 224 U. S. 170, although the public authority "has been favorably exerted, yet when the rights of individuals are concerned the judicial power is then open to be invoked to determine whether the fundamental conditions essential to the issue of the patent existed."

Petitioner, by its counterclaim for a declaratory judgment of the invalidity of certain claims of respondent's '256 patent, endeavored to set in motion the judicial power of the District Court to examine into the actual validity of these claims. In denying petitioner the privilege so to invoke this power and by imposing a patent license estoppel upon petitioner, the courts below have substituted for actual validity the estoppel of petitioner, as created by its implied admission of validity, to the prejudice of the public.

That an examination, in these proceedings, into the *actual* validity of the broad patent claims was clearly required is evident from the following:

In *United States v. Socony Vacuum Oil Co.*, 310 U. S. 150, this Court stated that (p. 218):

" . . . for over forty years this Court has consistently and without deviation adhered to the principle that price fixing agreements are unlawful *per se* under the Sherman Act. . . . And we reaffirmed that well established rule in clear and unequivocal terms in *Ethyl Gasoline Corp. v. United States*, 309 U. S. 436, 458, where we said:

'Agreements for price maintenance of articles moving in interstate commerce are, without more, unreasonable restraints within the meaning of the Sherman Act because they eliminate competition, *United States v. Trenton Potteries Co.*, 273 U. S. 392, and agreements which create potential power for such price maintenance exhibited by its actual exertion for that purpose are in themselves unlawful restraints within the meaning of the Sherman Act. . . .'

Price fixing in patent licenses is permitted only because the public is not entitled to free competition in the subject matter of the patent (*Bement v. National Harrow Co.*, 186 U. S. 70, 91; *United States v. General Electric Co. et al.*, 272 U. S. 476). This is true notwithstanding that it was a "dread of enhancement of prices and of other wrongs" which lead "as a matter of public policy" to the enactment of the Sherman Anti-Trust law and to the "prohibition or treating as illegal all contracts or acts . . . restraining the free flow of commerce and tending to bring about the evils such as enhancement of prices which were considered to be against public policy" (*Standard Oil Co. v. United States*, 221 U. S. 1, 58).

The patent laws and anti-trust laws were each passed under separate grants of constitutional power. Neither makes reference to the other, but there is a clear inter-relationship which has been expressed by this Court in *Standard Sanitary Mfg. Co. v. United States*, 226 U. S. 20, 49, thus:

"Rights conferred by patents are indeed very definite and extensive, but they do not give any more than other rights an universal license against positive prohibitions. The Sherman law is a limitation of rights, rights which may be pushed to evil consequences and therefore restrained."

The pattern of the laws was also pointed out by Mr. Justice Brandeis in *Standard Oil Co. v. United States*, 283 U. S. 163 (footnote, page 169), as follows:

"Historically, patent grants were only narrow exceptions to the general public policy against monopolies which . . . culminated in the Statute of Monopolies. . . . Even apart from the limitations of the Anti-Trust laws, the monopoly granted by the patent statute is not unrestricted in scope."

Since a patent is a limited form of permissive monopoly, the public may not insist upon that same price competition in devices covered thereby to which it is entitled in unpatented devices. But when a licensor fixes prices under an invalid patent, manifestly he is imposing unjust charges upon devices as to which no limited monopoly exists in fact and as to which, consequently, there can be no legal fixing of prices.

Hence, where a device is covered, if at all, only by invalid claims of a licensed patent, a licensee should be permitted to show the invalidity of said claims because public policy forbids the unjust imposition of charges by a patent owner upon devices not embraced by his actual monopoly and requires a curtailment of his attempt to fix prices thereon, with the result that any estoppel on the part of the licensee is clearly overcome by superior public interests.

In his recent Linthicum Foundation (Northwestern University) First Award Monograph, *Patents and Antitrust Law*, Laurence L. Wood, dealing with this question, has stated (p. 50):

" . . . the logic of the contention that the estoppel disappears is almost indisputable: absent the element of valid patent protection the horizontal price-fixing agreement is void under the en-

tire line of cases applying the Sherman Act, reaffirmed in the *Socony-Vacuum* case.<sup>13</sup>

When we consider (a) that the power of a patentee to contract in restraint of trade is restricted to "just what his inventive genius has discovered" (*Motion Picture Patents Co. v. Universal Film Co.*, 243 U. S. 502, 513), and (b) that Mr. Chief Justice Taft in the *General Electric* case clearly imposed the conditions that price fixing must be "reasonably within the reward which the patentee by the grant of the patent is entitled to secure" or "normally and reasonably adapted to secure pecuniary reward for the patentee's monopoly" (272 U. S. 489, 490), it is obvious that if no monopoly in fact exists or if patent claims define only devices which are part of the public domain, the claims, when challenged in a proper action, should be declared invalid and the patentee thereafter enjoined from fixing prices upon these devices.

The Court below held that it was powerless to relieve against a technical estoppel, created by a patent license, and, therefore, unable to inquire into the validity of the merely *prima facie* valid claims. The Court refused to apply, as analogues already settled by this Court, the rules (a) that a patent owner is confined to profits derived from the patented invention,<sup>4</sup> (b) that a patent owner may not control or fix the price at which unpatented materials or articles may

<sup>13</sup> The author has also very properly pointed out (pp. 50, 51) that no question of validity of patents was involved in the *Bement* and *General Electric* cases where the right of a patentee to fix prices was upheld and that this "precise issue was not presented" in those cases.

<sup>4</sup> *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, 517—see also, *American Lecithin Co. v. Warfield Co.* (C. C. A. 7), 105 F. (2d) 207.



be sold by his licensee,<sup>3</sup> and (c) that public interest requires a patent monopoly to be predicated upon the statutory requirement of invention and not upon mere inference from the previous conduct of a member of the public.<sup>4</sup>

For example, it was held in *Carbice Corporation v. American Patents Development Corporation*, 283 U. S. 27, that the attempt there to employ a patent to secure a limited monopoly upon unpatented materials was "analogous to the use of a patent as an instrument for restraining commerce which was condemned, under the Sherman Anti-Trust law in *Standard Sanitary Mfg. Co. v. United States*, 226 U. S. 20." The same result was reached by this Court in *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458; *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488; and *B. B. Chemical Co. v. Ellis*, 314 U. S. 495.

The rationale of these cases requires that the estoppel of petitioner to contest validity be overridden. If a patent owner is required to derive his profit solely from his *actual* invention and if he is forbidden the right to fix the prices of unpatented articles; it follows that when certain claims in a patent have been definitely earmarked, in an infringement suit, to describe only that which is in the public domain the device defined thereby is consequently in effect an unpatented device and the patentee or his assignee should not be permitted to prevent an inquiry into the validity of the claims when properly challenged in a subsequent suit.

Furthermore, if patentability may not be established

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<sup>3</sup> *Carbice Corp. v. American Patents Corp. et al.*, 283 U. S. 27, *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458.

<sup>4</sup> *Haughey v. Lee*, 151 U. S. 282; *Paramount Publix Corp. v. American Tri-Ergon Corp.*, 294 U. S. 464.

upon mere inference from the conduct of the parties or by agreement, because it must be based upon invention, a requirement which cannot be overlooked (*Hill v. Wooster*, 132 U. S. 693; *Haughey v. Lee*, 151 U. S. 282; *Paramount Publix Corp. v. American Tri-Ergon Corp.*, 294 U. S. 464, 477), it inevitably follows that when a patent license seeks to encroach upon the public domain and restrain trade by means of price fixing provisions, in devices which, if covered at all, are covered by invalid patent claims, there can be no question of the public interest and the need for relieving the licensee from the technical estoppel to attack the licensor's patent.

The Court below, also, evaded its responsibility of re-examining the rule of implied patent license estoppel in the light of the public policy involved and held that consistent with a public policy favoring *only* the patentee, resort to Congress was necessary for any departure from the well-settled principles (R. 54).<sup>7</sup>

This error of the Circuit Court of Appeals is made manifest by a consideration of (1) the true nature of public policy as to patents, and (2) the rule of patent license estoppel as affected by the paramount considerations of that policy.

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<sup>7</sup> Cf. *Helvering v. Hallock*, 309 U. S. 106, 121, where Mr. Justice Frankfurter observed that the courts walk on quicksand when they "try to find in the absence of corrective legislation a controlling legal principle," and that (p. 122) "The real problem is whether a principle shall prevail over its later misapplications."

(1) **The True Nature of the Public Policy as to Patents**—In *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, 510, Mr. Justice Clark stated that since *Pennock v. Dialogue*, 2 Pet. 1, this Court has consistently held that the primary purpose of the Patent Laws was “to promote the progress of science and useful arts.” and he also there pointed out that (p. 519) public interest is “the favorite of the law.”

The true nature of public policy as to patents and the relative importance of the public and private interests involved in every grant of a patent was recently reaffirmed by this Court in *United States v. The Masonite Corp.* (No. 723, October, 1941, Term, decided May 11, 1942), ..... U. S. ...., 86 L. Ed. 1006. In that case, Mr. Justice Douglas, again referring to *Pennock v. Dialogue*, stated:

“..... the promotion of the progress of science and the useful arts is the ‘main object’; reward of inventors is secondary and merely a means to that end. Or, in the words of Mr. Justice Daniel in *Kendall v. Winsor*, 21 How. 322, 329, ‘Whilst the remuneration of genius and useful ingenuity is a duty incumbent upon the public, the rights and welfare of the community must be fairly dealt with and effectually guarded. Considerations of individual emolument can never be permitted to operate to the injury of these.’ And see *Blount Mfg. Co. v. Yale & Towne Mfg. Co.*, 166 F. 555.”

The law, in allowing the grant of a patent, has not failed to protect the rights of the public; on the contrary, it has safeguarded them. Thus, while patentees have rights, the public has rights also. “The rights of both should be upheld and enforced by an equally

firm hand, wherever they come under judicial consideration" (*Densmore v. Scofield*, 102 U. S. 375, 378).\*

The public is thus interested in every adjudication with respect to patents; consequently, there is no question of the duty of courts having jurisdiction of patent causes to consider the rights of the public, so that they may be enlarged rather than diminished by judicial determination. That the public is a third party to every patent case is apparent from *Hill v. Wooster*, 132 U. S. 693, and see also the final remarks of Mr. Justice Jackson in *Muncie Gear Works v. Outboard, Marine & Mfg. Co.*, 315 U. S. 759, 768.

In the recent decision of *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488, Chief Justice Stone stated in part that (p. 492):

" . . . the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the invention."

The functions of the federal courts in carrying out this policy were stated by the Chief Justice to be as follows (p. 492):

" . . . courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest . . .

" . . . The patentee, . . . of an exclusive privilege granted in the furtherance of a public policy, may not claim protection of his grant by the courts where it is being used to subvert that policy" (p. 494).

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\* Quoted approvingly by Mr. Justice Black in his dissent in *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U. S. 126.



If a court may appropriately withhold its aid from a patent owner to safeguard public interest as ruled in the *Morton Salt Co.* case, it necessarily has the power to grant its aid to secure the same result by relieving against a technical estoppel. This was demonstrated at an early date in *Pope Manufacturing Co. v. Gormully*, 144 U. S. 224, where, because of an issue of public policy, this Court relieved against an express covenant not to contest the validity of, or infringe upon, certain patents and permitted an inquiry into those patents.\* This Court then said (p. 234):

" . . . It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly."

In the instant patent license, there is no express acknowledgment by petitioner of validity, nor has petitioner expressly covenanted not to contest validity; on the contrary, the estoppel arises by implication only.

The same public policy which confers the patent privilege has one eye squarely on the rights of the public and quite obviously, the Court below should not have taken the view that public policy favored only the patentee.

**(2) The Patent License Estoppel Is Not a Controlling Legal Principle Which Overrides Public Policy—**  
Estoppels are highly technical. They sometimes com-

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\* See the companion cases, Nos. (2) and (4), 144 U. S. 238 and 144 U. S. 254, respectively, where it appears that the patent infringement complaints also pleaded the contract estoppel. Because of the ruling in the main contract action, this latter ground was not further considered and the cases were treated as ordinary actions for infringement.

pel a person to admit that to be true which is not true (*Westinghouse Electric & Mfg. Co. v. Formica Insulation*, C. C. A. 6, 288 Fed. 330), and act upon a theory which is contrary to the truth (*Simm v. Anglo-American Telegraph Co.*, 5 Q. B. D. 188, 202). It is consequently fundamental that they should not be applied except where clearly justified.

The implied estoppel of a licensee to dispute the validity of his licensor's patent was developed by the courts on the basis of a landlord-tenant analogy. In the note "Estoppel Based on Relationship," 39 Harvard L. R. 637, it is stated that it is "doubtful whether the analogy is sound."<sup>10</sup> True, the patent license estoppel has become a part of the law, "but doubts as to its soundness have caused the grounds for it to be critically examined and to be restricted rather than enlarged" (Kirkpatrick, J., *Chance v. Lehigh Nav. Coal Co.* (D. C. E. D. Pa.), 25 F. Supp. 532, 534).

While the principle of patent license estoppel has been highly valued, it would seem clear that great care must nevertheless be taken by the courts so as not to

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<sup>10</sup> Aside from the reasons given in the cited article, the analogy is probably unsound because a licensee under a patent does not enter into or use any property transferred by the licensor. Real estate law and patent licenses are thus in this respect significantly different. The tenants' estoppel is of feudal origin and arises from user; it is a shadow of the ancient fealty, based on investiture or livery of seizin. A licensee does not obtain the right to make, use, or vend the patented device because the patentee himself has no such right (*Bloomer v. McQuewan*, 14 How. 539) and the estoppel does not thus arise from user; it arises by implication only, since the licensor passes nothing to the licensee except immunity from suit (*The Paper Bag Patent Case*, 210 U. S. 405).

permit it to overcome principles of law, equal or perhaps superior in solemnity and importance.

Public policy is, of course, a superior principle of law. It is moreover a vital factor in the consideration of patent licenses, because they sometimes create by contract, rights—apart from the exclusive patent privilege to “make, use and vend”—which the Patent Laws neither contemplated nor authorized. It is also a factor because the statutes which create the patent privilege are entirely silent as to the manner in which it may be enjoyed, that is to say, as to the right of a patentee to issue licenses or to fix prices.

The reasons for a paramount public interest over the power of a patentee to issue licenses or to contract in restraint of trade are not obscure.

In his famous dissent in *Henry v. Dick*, 224 U. S. 1, Chief Justice White condemned the practice of resorting to a contract:

“ . . . for the purpose of bringing numerous articles of common use within the monopoly of a patent when otherwise they would not have been embraced therein, . . . ” (224 U. S. 56).

Thus he said the whole of society would be subjected to a “widespread and irksome monopolistic control.”

The Chief Justice also protested that the contracting power of a patentee in respect of his patent “like every other power, should be subject to the law of the land.”<sup>11</sup> To hold otherwise would permit, he said (224 U. S. 70):

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<sup>11</sup> The dissent and protest were not in vain. Within five years, this Court in the *Motion Picture Patents Case* overruled *Henry v. Dick* and held, in effect, that the contracting power of a patentee was restricted to “just what his inventive genius has discovered” (243 U. S. 502, 513).

" . . . a vast zone of contract lying between rights under a patent and the law of the land, where lawlessness prevailed and wherein contracts could be made whose effect and operation would not be confined to the area described, but would be operative and effective beyond that area, so as to dominate and limit rights of every one in society, the law of the land to the contrary notwithstanding."

In view of the plain objects and purposes of the patent laws, to allow a patent owner by contract to extend the scope of its claims, said the Chief Justice, would make the contract right greater than the patent right (224 U. S. 70):

" . . . since by the mere will of the party rights by contract could be created, protected by the patent law, without any of the precautions for the benefit of the public which limit the right to obtain a patent."

The contract of a patentee in restraint of trade must, therefore, always be viewed in the light of these fundamentals and an estoppel created by such a contract is of course subject to the same limitations.

It follows that re-examination of the rule of patent license estoppel is clearly required because adherence thereto in the instant case squarely collides with the more embracing question of public policy as presented here by (a) the very provisions of the license upon which the estoppel was predicated, or (b) respondent's conduct in the Jefferson-France litigation in avoiding an adjudication of the claims under which the estoppel is now asserted.



**(a) The Provisions of the Instant Patent License Itself Presented a Matter of Public and Economic Concern Which Required the Implied Estoppel to Yield**—The public, as we have seen, is entitled to free competition in a device which is a part of the public domain, and hence, the public is injured and its interest arises when a patent owner collects royalties upon, controls the price of, or represses competition in such a device.

This paramount public interest was clearly recognized by respondent when it agreed that the price fixing provisions of the license should be effectual "so long as such devices continue to be covered by" respondent's patents (R. 7). Petitioner and the public, as well, were accordingly freely endowed by the instant patent license with everything in the public domain.

In the event of the invalidity of one or more claims of respondent's patents, petitioner was to be on an equal footing with the rest of the world. Petitioner presumably, in the intention of the parties, could not successfully engage in the manufacture and sale of a device covered only by invalid claims in competition with other manufacturers. It would then be at the mercy of such manufacturers, who (having no license burdens) could and undoubtedly would undersell petitioner on the market, fixing a price less than that which was fixed by respondent and required to be maintained by the patent license. It was therefore not only the essential spirit of the patent license that the obligation of petitioner to maintain prices be no greater than the actual monopoly of the respondent, but also the parties knew that public policy forbids that the members of the public be required to purchase devices belonging to the public domain at a controlled price which in-

cluded an unwarranted patent royalty. Accordingly, it was *expressly* agreed (R. 9) that petitioner was not to be curtailed in the manufacture and sale of devices or structures defined only by invalid claims because obviously such devices and structures necessarily constituted a part of the public domain. Nor was petitioner to be required to maintain fixed prices therefor (R. 7).

Thus, on the face of the very contract before the Court, public interests were presented.

That the public is interested, *eo instanti* in a license, under a patent, which seeks to control unpatented materials or devices which are not included in the exclusive privilege to "make, use and vend" is apparent from the decision of this Court in *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502. Holding, in effect, that the power of a patent owner to contract in restraint of trade is restricted to "just what his inventive genius has discovered," this Court said in that case (243 U. S. 502, 513):

" . . . It is all that the statute provides shall be given to him and it is all that he should receive; for it is the fair as well as the statutory measure of his reward for his contribution to the public stock of knowledge."

It would seem clear, therefore, that when a patent license fixes prices, public interest instantly arises upon the face of the license. It is hence imperative when the validity is properly challenged, that the true facts as to the validity of the claims be shown because the licensor's right to control prices obviously must depend on satisfaction of the statutory requirement of invention, and not upon mere implied admission of validity of the licensee. This is particularly true in the instant case where the parties clearly recognized the

limited power of the licensor to fix prices by unambiguously excluding from the price fixing provisions devices covered only by adjudged invalid claims.

We submit that the existence in the patent license of price fixing provisions was, of itself, sufficient ground for overriding the implied estoppel and for permitting petitioner to show the true facts as to the actual validity of the broad claims of respondent's patent.

**(b) Respondent's Conduct Also Afforded Ample Ground for Relieving Against the Estoppel in the Interest of Public Policy**—Respondent's covenant to enforce its patents and prevent unlicensed competition was a dependent and concurrent one which must be considered *in pari materia* with the obligations of petitioner to pay royalties and maintain fixed prices (Cf. *Lou v. Pomona Land & Water Co.*, 153 U. S. 564, 573, 576).<sup>13</sup> It was the only vehicle by which the exemptions and releases provided for in paragraph 11b could be brought into effect.

The parties contemplated that the patents *prima facie* created in respondent the right to exclude all persons (except respondent and its authorized licensees) from the manufacture, use, and sale of the devices covered by, or defined in, the various claims of the patents. The continuance of the enforceable validity of all of the claims of the patents and the continued exclusiveness of the rights of respondent and its li-

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<sup>13</sup> See also *Wilfley et al. v. New Standard Concentrator Co.* (C. C. A. 9), 164 Fed. 421, 423; *Penley Bros. Co. v. Hall* (C. C. A. 1), 84 F. (2d) 371, 374, Cf. *McKay v. Smith*, (C. C. Mass.), 39 Fed. 556, and *Nat. Rubber Co. v. Boston Rubber Shoe Co.* (C. C. Mass.), 41 Fed. 48, which are to the effect that the covenant will not be implied, but indicating that if expressed, it would be a dependent one.

censees were, therefore, the root and heart of the price fixing provisions of the license.

The diligent enforcement of respondent's patents and the exemptions conferred by the provisions of paragraph 11b in the event that their *prima facie* monopoly was destroyed, were plainly of vital public importance, for the reason that supplementing the exemptions of paragraph 11b is the limiting phrase found in the price-fixing provisions of paragraph 5—i.e., "so long as such devices continue to be covered by said patents." This limitation obviously means that the price-fixing provisions were intended to be effectual only so long as respondent was possessed of valid claims as determined pursuant to the provisions of paragraph 11b.

Is respondent, by so simple a procedure as the mere withdrawal of the broad claims of the '256 patent from issue in the *Jefferson-France* litigation, after validity had been challenged, to be empowered to exercise price control over transformers which, if covered at all, are covered only by such broad claims? Should respondent, in equity and good conscience, be permitted to assert an estoppel against petitioner, and thereby, in effect, secure the right to continue to fix prices upon devices covered only by the broad claims withdrawn from issue in the *Jefferson-France* litigation?

It is elemental that a party should not be permitted to take advantage of his own wrong. Thus, where obligations are to be fixed or benefits are to arise, in accordance with a contract, upon the occurrence of a future act, the law does not allow a party to place any obstacle in the way of the happening of such event. This is particularly true where the event is dependent, in whole or in part, on his actions (*Williams v. The*



*Bank of the United States*, 27 U. S. 96, 102; *St. Louis Dressed Beef Co. v. Maryland Casualty Co.*, 201 U. S. 173).

Moreover, that public interests are directly concerned with respondent's course of conduct in the *Jefferson-France* case and the right now asserted to invoke an estoppel against petitioner appears from *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488, 493, where it was said:

"Undoubtedly 'equity does not demand that its suitors shall have led blameless lives' . . . but additional considerations must be taken into account where maintenance of the suit concerns the public interest as well as the private interests of suitors."

Respondent, by withdrawing the broad claims from contest, prevented the contingency set up in paragraph 11b from being fulfilled—there being no doubt as to the view of the Court of Appeals for the Sixth Circuit as to the invalidity of the broad claims. Is not respondent now disqualified from opposing a showing by petitioner of the undoubted fact of invalidity which will relieve petitioner and the public of monopolistic and unwarranted control under those claims?

Respondent's withdrawal of the claims from contest in the *Jefferson-France* case was brought about by either (a) a conclusion that the claims were not infringed, or (b) a conclusion that they were invalid and would be so declared by the Court.

The first must be eliminated. Respondent had itself originally determined that these claims were infringed (R. 43). Moreover, if France infringed a narrow claim, there was infringement *a priori* of the broad claims.

If respondent concluded that the claims were invalid

(as must be the case), its strategy was dictated by these considerations:

(a) If all of the claims were left in suit and all found not infringed or invalid, not only would respondent lose its suit but also its vast licensing system, and price control would be destroyed; and

(b) If the three narrow claims left in suit were found not infringed or invalid, respondent would nevertheless be in possession of its broad claims and thus still in a position to dominate its licensees and exercise price control.

The public is obviously vitally interested in the conduct of respondent which has enabled respondent to avoid an adjudication of the broad claims of its patent in the face of a direct challenge to their validity and still have the right to control prices thereunder.

Truly we say that, on a principle akin to the equitable maxims that a party seeking equity must do equity or have clean hands, respondent has disqualified itself from claiming the benefit of the patent license estoppel.

The Court below agreed with respondent's contentions that it alone had the right to determine which claims would be finally adjudicated in the *France* litigation. This is begging the issue, and confuses the right to control a lawsuit with rights of the public in devices found by the Court in the Sixth Circuit to be in the public domain.<sup>14</sup>

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<sup>14</sup> Cf. *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488, 494:

" . . . It is the adverse effect upon the public interest of . . . the patentee's course of conduct which disqualifies him . . . regardless of whether the particular defendant has suffered. . . ."

We submit that the Court below should have held that respondent's conduct, in the *Jefferson-France* case, also afforded ample grounds of relieving, in the interest of public policy, against petitioner's implied estoppel.

## II.

THE JEFFERSON-FRANCE DECISION WAS THE EQUIVALENT OF AN ADJUDICATION OF INVALIDITY WITHIN THE MEANING OF THE LICENSE AND EFFECTED THE RELEASE OF DEVICES COVERED ONLY BY SUCH CLAIMS.

Because petitioner urged that the Sixth Circuit decision published to the world the invalidity of the broad claims of the patent and that, hence, there was an equivalent of the adjudication of invalidity contemplated by the license as to the devices covered only by these claims, it was incumbent upon the Court below to consider and construe the decision.

The Court has purported to do so and has found (R. 55) that there is no language in the decision which bears out the statement that the Sixth Circuit Court, "inferentially at least, declared those withdrawn claims invalid."

This holding is clearly erroneous, as we shall now demonstrate.

After consideration of the evidence adduced, including a careful analysis of prior patents, publications, and uses, the Sixth Circuit Court of Appeals in the *Jefferson-France* case, said (106 F. (2d) 608):

"It will be seen from this résumé of earlier patents and prior use that the balanced transformer belonged to the public at the time appellee's assignors applied for their patent and that midpoint grounding for the purpose of cutting in half dan-

gerous voltage was in use in transformers of the unbalanced type." (Emphasis added.)

If plaintiff's assignors had not invented the "balanced transformer" and if such devices generally belonged to the public and were beyond the scope of the monopoly of the patent, what then had they invented and what was the monopoly which plaintiff was entitled to? The Sixth Circuit Court of Appeals answered these inquiries thus (106 F. (2d) 609):

"Appellee's assignors were the first to design a transformer with the midpoint ground placed with a definite relationship to the coils, shunts and core of the transformer, . . . This was a combination of the balanced transformer and the midpoint ground, which had theretofore been used in the unbalanced transformer. . . . It is true that the step taken by them was short, but it had theretofore escaped the skill of the art, although an intensive effort had been made to find it." (Emphasis added.)

The Sixth Circuit Court of Appeals thus found that the step taken by plaintiff's assignors "was short"; in other words, they had merely transferred the "midpoint ground" theretofore used in the old "unbalanced transformer" to the old "balanced transformer." But the Sixth Circuit Court of Appeals unequivocally found that a "balanced transformer" was old; also that a "midpoint ground" was old. The *specific combination* of the two was solely and precisely that which was found by the Court to be *new* and *patentable*.

In Appendix B, *post*, p. 52, we have set out a side-by-side comparison of claims 13 and 14 of the '256 patent. We there conclusively demonstrate that broad claim No. 13 withdrawn from contest by respondent and now asserted against petitioner is directed only to a "balanced transformer" which the Court found "be-



longed to the public" and does not expressly or impliedly contain the specific combination which the court considered inventive.<sup>15</sup>

Since it was implicit in the Court's review of the prior art and its conclusion as to patentability that any claim in the patent which does not have the adjudged specific combination, or conversely stated, which defines only the *old* balanced transformer, is an invalid claim, it inevitably follows that the "estate" which was supposed by all to belong to respondent by virtue of its broad patent claims "was judicially determined to belong to the public" (*Ross v. Fuller & Warren Co.* (C. C. N. Y.), 105 Fed. 510).

The decision of the Sixth Circuit Court of Appeals, accordingly, published to the world that the monopoly of the broad claims no longer exists in fact.<sup>16</sup> The

<sup>15</sup> Respondent will argue, as was held by the Court below, that the Sixth Circuit Court expressly declined to hold the withdrawn claims invalid. This is not so. That Court was asked to declare the entire patent invalid for respondent's failure to file a disclaimer under 35 U. S. C. §§65, 71, after respondent became aware of the invalidity and withdrew the claims from contest. It was apparently assumed by the Court that the claims were invalid, but it was held that no duty to disclaim had arisen in the circumstances involved, because the invalidity had not been previously judicially determined. (106 F. (2d) 610, 611.) For confirmation hereof, see the petition for certiorari filed in *France Mfg. Co., petitioner, v. Jefferson Electric Company, respondent*, No. 626, to the October, 1939, Term of this Court. (Denied Jan. 29, 1940, 309 U. S. 657.)

<sup>16</sup> It must not be overlooked that the patentees of the '256 patent originally supposed that they had invented a new "balanced transformer." The advantages thereof were described at length in the specification of the patent (R. 14, lines 38-46; R. 15, lines 50-55) and the patent teaches that the "midpoint ground" may be used "or omitted" as desired (R. 19, lines 98-103).

practical result of the decision was to destroy the "exclusive preserve" of respondent's broad claims if they define nothing more than an old "balanced transformer."

In the *Ross* case, the licensor's patent had been involved in prior litigation and the claim placed in issue had been declared invalid. There were several other claims of the patent *not involved* and not *passed upon* in the prior suit. *Ross*, the licensee, contended that the prior decision "was so sweeping" that the "practical result" thereof was to destroy the exclusive right of the claims not adjudicated.

Judge Coxe, an eminent patent law jurist, after examining the prior decision, held (p. 513):

"... Theoretically it may be argued with plausibility that the last three claims were not invalidated, but the practical result of the *Arlington* decision was death to the first claim and hopeless paralysis to all the others."

Correspondingly, the practical result of the *Jefferson-France* decision was narrow, *short step* patentability for the three claims involved and "hopeless paralysis" to all other claims which defined only the old "balanced transformer." We submit, moreover, that it is immaterial whether the prior decision under consideration validates or invalidates the claims in suit. It is the practical effect of the adjudication, whether for or against the claims, which must be considered. Comparison of claims not involved with the subject matter adjudicated is required so that validity of the not involved claims may be properly determined.<sup>17</sup>

<sup>17</sup> Compare the duty of the courts under the disclaimer statutes (35 U. S. C. §§ 65, 71), as held in *Maytag Co. v. Hurley Mach. Co.*, 307 U. S. 243, to compare claims retained

If it was held in the Sixth Circuit that a balanced transformer belonged to the public and if the broad claims only define such device, then it cannot be disputed that petitioner has been *evicted*<sup>18</sup> under its license by the paramount title of the public in such devices.

In *Drackett Chemical Co. v. Chamberlain Co.* (C. C. A. 6), 63 F. (2d) 853, after a careful review of the decisions on eviction in the case of patent licensees, the Court stated:

" . . . It is only when, by Judicial decree or otherwise, it is published to the world that the monopoly is destroyed, that the licensee can claim a corresponding release from his obligation to pay royalties."

Where a licensor has covenanted to enforce his patent and the obligations of the licensee to pay royalties are conditioned upon the enforceable validity of the patent, conduct of the licensor abandoning part of his supposed domain of enforceability and a decision of a competent tribunal delimiting validity should be held to result in a corresponding *pro tanto* eviction of the licensee which permits the licensee to dispute the validity of the patent. (Cf. *Wilfley v. New Standard Co.*

with those *disclaimed*. It was held in that case that the retained claims must differentiate "in operation and result" from subject matter disclaimed, for by the disclaimer, the disclaimant has confessed he claimed "more than that of which he was the original or first inventor." Upon comparison, this Court found the only difference to be "in verbiage" and the retained claim accordingly invalid.

<sup>18</sup> Clause 11b of the patent license (R. 9) was undoubtedly bottomed on the same considerations which underlie the doctrine of eviction.

(C. C. A. 9), 164 Fed. 421; *Frost Ry. Co. v. T. H. Symington & Son, Inc.* (D. C. Md.), 24 F. Supp. 20).

It is futile to argue or to hold that petitioner should waive its entire license. It must be remembered that one device manufactured and sold by petitioner is admittedly covered by the narrow claims. Thus, it is obviously unjust to force petitioner to jeopardize its investment in tools and dies necessary to make said device in its various sizes and to become a deliberate infringer of adjudicated valid narrow claims as to this device in order to secure a formal declaration of the invalidity of the broad claims as to other devices.

The license emphasizes the separability of the claims of the patents and contemplated that petitioner did not have to yield the entire license in order to obtain the right to manufacture devices covered only by invalid claims. The purpose of paragraph 11b of the license was to relieve petitioner of the necessity of renouncing the license in order to take advantage of invalid claims. Whether the decision of the Sixth Circuit Court constitutes an eviction or is regarded as the equivalent of an adjudication of invalidity, the result is the same, i.e., devices covered only by invalid claims have been released of the burdens of the license.



## III.

THE DOCTRINE OF *ERIE R. CO. v. TOMPKINS* IS INAPPLICABLE IN THE INSTANT PROCEEDINGS AND IN ANY EVENT THE QUESTIONS ARE FEDERAL, NOT STATE, ONES.

Where the contract of the parties was executed does not appear from the allegations of either complaint, answer, or counterclaim. However, since petitioner has its place of business at Chicago, Illinois, and that of respondent is located at Bellwood, Illinois (R. 1, 5), it may be safely assumed, and will not be disputed, that the contract was executed in the State of Illinois, and that Illinois is the *locus contractus*.

We have made a careful examination of the decisions of the Supreme Court of Illinois, and of those of the inferior appellate tribunals of that State, and have found no decision which in any way specifically disposes of, or in the slightest throws light upon the proper determination of, the questions here presented. The questions are open ones in the State of Illinois;<sup>19</sup> they are similarly of first impression in the Federal Courts, and it is hence immaterial, for all practical purposes, whether they be labelled as Federal or State.

We feel, however, that we are required, nevertheless, to discuss here the broad issue of whether Federal or State law applies, as requested by the Court (R. 59), and accordingly we submit (1) that the present

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<sup>19</sup> To be sure, it is the rule in Illinois that a licensee may not, in relation to past acts under a license, contest the validity of the patent under which he is licensed, *Rhodes v. Ashurst*, 176 Ill. 351, 356. Curiously enough, an authority for the rule in that case is this Court's decision in *Kinsman v. Parkhurst*, 18 How., 289.

proceeding is of a non-diversity character, and hence the doctrine of *Erie R. Co. v. Tompkins* is inapplicable, and (2) that, in any event, as the rights asserted by the petitioner and giving rise to the questions are attributable to the Constitution of the United States and to Acts of Congress, judicial determination of the legal consequences which flow from privileges granted or from acts condemned thereunder, involves decision of Federal, not State, questions.

**(1) The Doctrine of *Erie R. Co. v. Tompkins* Is Inapplicable in a Patent Case**—If the doctrine of *Erie R. Co. v. Tompkins*, 304 U. S. 64, properly is restricted to diversity of citizenship cases, then, as strongly urged by Mr. Justice Jackson in his separate opinion in *D'Oench, Duhme & Co. v. Federal Deposit Ins. Corp.*, 315 U. S. 447, 465, the federal courts are not bound to apply State law in the determination of the substantive questions presented in a non-diversity proceeding.

While jurisdiction of the original or main action brought by respondent to secure an accounting under the patent license issued to petitioner was predicated upon diversity of citizenship, petitioner's counterclaim, as found by the court below (122 F. (2d) 125, 125 F. (2d) 323), sought a "declaratory judgment" holding invalid certain claims of one of the patents under which the license was granted. Jurisdiction of the Federal Courts to entertain such a petition is not dependent upon diversity of citizenship; rather, it is conferred and authorized by Section 274d of the Judicial Code (28 U. S. C. A. §400, Appendix A, *post*, p. 50). The questions presented here arise only upon the counterclaim which, as we now show, must be considered as a case arising under the patent laws and hence is of a non-diversity character.

A petition for a declaratory judgment brought in the Federal courts seeking the judgment of the court whether a patent is valid, and if so, whether it is infringed, has been termed by Professor Borchard as an "infringement suit with reversed parties." (Borchard *Declaratory Judgments*, 2nd Ed. p. 810). It has been expressly held that such a petition is a suit arising under the patent laws of the United States (*E. Edelman & Co. v. Triple-A Specialty Co.* (C. C. A. 7), 88 F. (2d) 852; *Milwaukee Gas Specialty Co. v. Mercoid Corporation* (C. C. A. 7), 104 F. (2d) 589). Further, an action under the Federal Declaratory Judgment Act, presenting a patent controversy, has been held by former Judge Patterson (*Automotive Equipment, Inc. v. Trico Products Corp.* (D. C. N. Y.), 10 F. Supp. 736) to be a suit not resting solely on diversity of citizenship and, therefore, one required to be brought in the district whereof the defendant is an inhabitant under the rule of venue, applicable to non-diversity cases, of Section 51 of the Judicial Code (28 U. S. C. A. §112).

The character of a case is, moreover, always determined by the questions involved (*Starin v. New York*, 115 U. S. 248, 257; *Osborn v. Bank of United States*, 9 Wheat. 738, 824) and when so tested, petitioner's counterclaim is essentially a patent case<sup>20</sup> and certainly a non-diversity case.

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<sup>20</sup> In *Littlefield v. Perry*, 88 U. S. (21 Wall) 205, 222, 223, the test of a substantial patent case for purposes of Federal jurisdiction was stated as follows: "Such a suit may involve the construction of a contract as well as the patent, but that will not oust the court of its jurisdiction. *If the patent is involved it carries with it the whole case.* . . . A court of equity looks to substance rather than form. When it has jurisdiction of parties it grants the appropriate relief without regard to whether they come as plaintiff or defendant."

The need for uniformity of law or of decisions in the Federal and State Courts stressed by Mr. Justice Brandeis, and which constitutes the rationale of the *Erie-Tompkins* case, exists only by virtue of the exercise by the Federal Courts, via diversity of citizenship, of concurrent jurisdiction, with State Courts, over certain cases. That need disappears in a patent case when we consider that (a) the jurisdiction of Federal Courts over patent cases does not depend upon the citizenship of the parties or the amount involved, but upon federal statutes relating to patents (Judicial Code, §24, cl. 7; §256, cl. 5; 28 U. S. C. §§41, 371) and (b) the State Courts cannot assume jurisdiction of a case arising under the Patent Laws of the United States. (*Pratt v. Paris Gas Light & Coke Co.*, 168 U. S. 255, 259).

**(2) Irrespective of Any Limitation of the Erie-Tompkins Doctrine, the Questions Presented Here Are Federal Ones and Are Therefore Governed by Federal Law**—Whether or not this Court sees fit, in this case, to limit the doctrine of *Erie R. Co. v. Tompkins* to diversity cases, the questions here presented are, in any event, federal ones, and, therefore, governed by federal law within the meaning of the rule of *D'Oench, Duhme & Co. v. Federal Deposit Ins. Corp.*, 315 U. S. 447, 455, 456; *Prudence Realization Corp. v. Geist*, 316 U. S. 89; *Baltimore & O. R. Co. v. Kepner*, 314 U. S. 44, 52; *Royal Indem. Co. v. United States*, 313 U. S. 289, 296; *Deitrick v. Greaney*, 309 U. S. 190, 200; *Board of Comm'rs. v. United States*, 308 U. S. 343, 349, 350.

That patent questions generally are not only *sui generis* but also federal ones, and, therefore, governed by federal law, should be evident from our previous



discussion. The following considerations directed specifically at those here presented reinforce our view.

(a) **The First Question, i.e., Whether Public Policy Requires a Patent License Estoppel to Yield to an Inquiry Into Actual Validity of a Patent, Is a Federal One**—When the Court goes, as we submit it must, to the source of the rights raised by this question, it will arrive at the constitutional provision authorizing the patent right and the Act of Congress favorably exerting it. Thus, the grant to the inventor “of the special privilege of a patent monopoly, carries out a public policy adopted by the Constitution and laws of the United States” (*Morton Salt Co. v. Suppiger Co.*, 314 U. S. 488, 492) and, as has been settled, a patent is “the creature of statute law and its incidents are equally so and depend upon the construction to be given to the statutes creating it and them” (*Crown Co. v. Nye Tool Works*, 261 U. S. 24, 40).

That “in the interpretation and application of federal statutes, federal and not local law applies” is no longer open to question (*Prudence Realization Corp. v. Geist*, *supra*). Moreover, the first question raises squarely the issue of whether an estoppel created by an inventor’s contract in restraint of trade yields to an examination of the validity of the patent to determine the actual existence of the statutory requirement of invention. The decision of this question must be ultimately based on the Constitution of the United States and the patent laws and will not owe its authority to the law-making agencies of any state. Cf. *Board of Comm’rs. v. United States*, *supra*.

The Court will also arrive, in searching for the source of the rights here involved, at the commerce

clause of the Constitution and the Anti-Trust Laws passed by Congress under that grant of power.

The public policy declared by those laws, i.e., "dread of enhancement of prices and of other wrongs" (*Standard Oil Co. v. United States*, 221 U. S. 1, 58) is also involved in the determination of the first question, because in the absence of a valid patent, the price fixing provisions are illegal under a long line of cases applying the Sherman Act. The Anti-Trust Laws, moreover, are a "limitation" upon patent rights (*Standard Sanitary Mfg. Co. v. United States*, *supra*; *United States v. Masonite Corp.*, *supra*) and the historical relationship and background of both must be considered in a determination of the question.

In summary, since the patent laws and the federal anti-trust laws together are their own measure of right and wrong, of what they permit and of what they forbid, and since these are federal, not state, laws, and certainly do not come from the common law,<sup>21</sup> it is submitted that questions arising in respect thereof must be labeled as federal ones and determined in accordance with federal law and policy.

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<sup>21</sup> In *Gayler v. Wilder*, 10 How. 477, 494, Chief Justice Taney said:

"The [patent] monopoly did not exist at common law, and the rights therefore which may be exercised under it cannot be regulated by the rules of the common law."

Further, according to Mr. Chief Justice White in *Standard Oil Co. v. United States*, 221 U. S. 1, 50, the debates at the time of the passage of the Sherman Anti-Trust Law show that "doubt as to whether there was a *common law* of the United States which governed the subject in the absence of legislation was among the influences leading to the passage of the act."

**(b) The Second Question, i.e., Whether the Decision in the Jefferson-France Litigation Adjudicated the Invalidity of the Broad Claims of Respondent's Patent, Is a Federal One**—Appraisal of the character of this question is not without difficulty.

In our Brief in support of the petition, we said of this question (p. 32) that whether the decision of the Sixth Circuit Court of Appeals in the *Jefferson-France* litigation be regarded as (a) an eviction, or (b) the equivalent of an adjudication of invalidity within the meaning of the license, the result is the same, i.e., "devices covered only by invalid claims have been released of the burdens of the license."

If the view is taken that this question involves a determination of the issue of validity of letters patent for invention and that "some right or privilege will be defeated by one construction or sustained by the opposite construction" of the Patent Laws (*Pratt v. Paris Gas Light & Coke Co.*, 168 U. S. 255, 259), then it may be accurately said that the question is a substantial patent, i.e., Federal, one. On the other hand, if the view be taken that the question involves merely the interpretation and construction of a contract, then it might seem to follow that the question is a State-one. However, as before stated, no controlling Illinois decision has been found and it may be assumed that the common law of that state is not different from the general law expressed in the federal precedents cited, *ante*, pp. 36-39. Cf. *Kellogg Co. v. Nat. Biscuit Co.*, 305 U. S. 111, 113.

It is impossible, however, to say with even a color of reason that the second question does not really and substantially involve federal and not local law.

*First*, the decision to be considered and construed is that of a federal court rendered in a patent infringe-

ment suit of which federal courts have exclusive jurisdiction (*ante*, p. 43). The force and effect of such a decision upon claims other than those actually adjudicated is obviously a federal matter. Since Congress has not specifically legislated on the subject of decrees or decisions in patent cases or upon their effect on claims not in suit, it logically follows that the matter has been left by the patent statutes to judicial determination, one to be exercised in accordance with federal policy and law.<sup>22</sup> It is illogical to contend that patent policy has left the effect of patent decisions dependent upon state or local law.

*Second*, the specific issue to be determined from a consideration and construction of the decision is whether a federal court has necessarily adjudicated certain claims of letters patent of invention to be invalid. Although this issue arises in connection with the interpretation of a contract, this is not to say the question itself must be labeled a state or local one. If the question affects a federal statute or involves a privilege granted pursuant to federal statute, it is immaterial that interpretation of a local contract is involved. The character of a question depends rather upon the basic rights and laws involved and not upon the manner in which it arises.

*Third*, validity of the claims in question will be defeated by one construction or sustained by the opposite construction of the patent laws of the United States. The patent statutes are directly involved in the deter-

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<sup>22</sup> In the *Deitrick* case, it was said (309 U. S. 190, 200):

"The extent and nature of the legal consequences . . . though left by the statute to judicial determination, are nevertheless to be derived from it and the federal policy which it has adopted. . . ."



mination of the second question because the courts are now called upon to decide whether the claims withdrawn from issue in the *Jefferson-France* case define a "new and useful" invention (35 U. S. C. § 31), it being asserted that they define only an old "balanced transformer" and that they lack the specific combination, i.e., "new and useful" invention of other claims. The comparison of claims which the Court must, in this connection, make, is the full equivalent of that often made for the purpose of applying the disclaimer statutes (35 U. S. C. §§ 65, 71, *ante*, pp. 37, 38). Moreover, since it has been held by the Supreme Court of Illinois that it has no jurisdiction to pass upon a right based upon a patent where "the determination of that claim cannot be made without deciding upon the validity" of the patent (*Forster v. Brown Hoisting Machine Co.*, 266 Ill. 287, 297), it almost indisputably follows that this question cannot be considered a local one.

### Conclusion.

It is respectfully submitted that the questions presented are governed by federal law and policy and that in accordance with the inexorable requirements thereof the judgment of the Court below should be reversed.

J. BERNHARD THIESS,

SIDNEY NEUMAN,

77 W. Washington St.,

Chicago, Illinois,

LESLIE W. FRICKE,

1237 Monadnock Bldg.,

Chicago, Illinois,

*Counsel for Petitioner.*

Chicago, Illinois,

Sept. 22, 1942.

## **APPENDIX A.**

### **Statutes Involved.**

The statutes which are necessary to be considered are as follows:

Section 4886 of the Revised Statutes (Act of July 8, 1870, C. 230, § 24, 16 Stat. 201, as amended; 35 U. S. C. § 31):

"Any person who has invented or discovered any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvements thereof, or who has invented or discovered and asexually reproduced any distinct and new variety of plant, other than a tuber-propagated plant, not known or used by others in this country, before his invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country, before his invention or discovery thereof or more than one year prior to his application, and not in public use or on sale in this country for more than one year prior to his application, unless the same is proved to have been abandoned, may, upon payment of the fees required by law, and other due proceeding had, obtain a patent therefor."

The Sherman Act of July 2, 1890; 26 Stat. 209, as amended (15 U. S. C. Secs. 1 and 2):

"Sec. 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal . . . Every person who shall make any contract or engage in any combination or conspiracy hereby declared to be illegal shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding \$5,000, or by imprisonment not exceeding one

year, or by both said punishments, in the discretion of the court.

"Sec. 2. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

The Clayton Act, of October 15, 1914, 38 Stat. 730 (15 U. S. C., Sec. 14):

"Sec. 3. It shall be unlawful for any person engaged in commerce, in the course of such commerce, to . . . make a sale or contract for sale of goods, wares, merchandise, machinery, supplies, or other commodities, whether patented or unpatented, for use, consumption, or resale within the United States . . . or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies, or other commodities of a competitor or competitors of the lessor or seller, where the effect of such lease, sale, or contract for sale or such condition, agreement, or understanding may be to substantially lessen competition or tend to create a monopoly in any line of commerce."

The Declaratory Judgment Act, of June 14, 1934, 48 Stat. 955, as amended (28 U. S. C. §400):

"(1) In cases of actual controversy except with respect to Federal taxes the courts of the United States shall have power upon petition, declaration, complaint, or other appropriate pleadings to

declare rights and other legal relations of any interested party petitioning for such declaration, whether or not further relief is or could be prayed, and such declaration shall have the force and effect of a final judgment or decree and be reviewable as such."



## APPENDIX B.

### Comparison of Typical Broad and Narrow Claims of Respondent's Patent.

The following side-by-side comparison of claims 13 and 14 of the patent in suit shows the clear invalidity of the former because either (1) it is directed only to a "balanced transformer" which the Court in the *Jefferson-France* case, 106 F. (2d) 605, found "belonged to the public" at the time of the application for patent or (2) it does not comprise the specific combination which the Court, in that case, found was the sole patentable feature.

Claim 13 now asserted against petitioner (R. 32, 33) was withdrawn from contest after the defendant France had attacked the validity thereof. Claim 14 is one of the three claims found to be valid.

#### Claim 13 (R. 19).

Transformer means comprising the combination of

- (a) magnetic core means
- (b) primary coil means
- (c) secondary coil means
  - (1) one of said coil means consisting of a plurality of coil parts and
  - (2) the other coil means being disposed between said coil parts and in balanced inductive relation thereto and

#### Claim 14 (R. 19).

Transformer means comprising the combination of

- (a) magnetic core means
- (b) primary coil means
- (c) secondary coil means
  - (1) one of said coil means consisting of a plurality of coil parts and
  - (2) the other coil means being disposed between said coil parts and in balanced inductive relation thereto

- (d) shunt means disposed between the parts of the plural coil part means and the other coil means for reducing the voltage in the secondary coil means by saturation of the magnetic core.
- (d) shunt means disposed between the parts of the plural coil part means and the other coil means for reducing the voltage in the secondary coil means by saturation of the magnetic core and
- (e) *a ground connection between the coil parts of the plural coil part means.*

The italicized portion of element (e) in each claim clearly reveals each to relate to a "balanced transformer."

The combination of italicized element (e) of claim 14 with the other elements (a) to (d) of claims 13 and 14 (a balanced transformer with magnetic shunts), was the "short step" which the Sixth Circuit Court of Appeals found to be the patentable invention. This combination is signally missing from claim 13. The latter is obviously the old "balanced transformer" which was said by the Court of Appeals to belong to the public.



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CLERK

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IN THE  
**SUPREME COURT OF THE UNITED STATES**

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**OCTOBER TERM, A. D. 1941.**

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No. 1029: 45

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**SOLA ELECTRIC COMPANY, a Corporation,**  
Petitioner,  
vs.

**JEFFERSON ELECTRIC COMPANY, a Corporation,**  
Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES  
CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

---

**BRIEF OF RESPONDENT IN OPPOSITION TO PE-  
TITION FOR WRIT OF CERTIORARI TO  
THE CIRCUIT COURT OF APPEALS  
FOR THE SEVENTH CIRCUIT.**

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THOMAS H. SHERIDAN,  
135 South La Salle Street,  
Chicago, Illinois,  
*Counsel for Respondent.*

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**Summary of Argument.**

This controversy is wholly one between the licensor and the non-exclusive licensee under a patent license contract, the Petitioner-licensee being charged with failure to account for and pay royalties on certain devices charged to be covered by certain claims of the Daley *et al.* patent No. 1,777,256 of September 30, 1930.



Respondent has sought and is seeking the right to attack the validity of those claims while operating as a licensee thereunder, this in the face of its undisputed right to terminate the license agreement on 30 days' notice.

Because of a provision in the license contract obligating the licensee to charge the same prices for its licensed product as those charged by the licensor, Petitioner has sought to inject an element of public interest, or public policy, into its petition and brief in order to prevail upon this Court, as it endeavored to do in the Seventh Circuit Court of Appeals, to disregard a long-established doctrine of licensee-estoppel which precludes an attack upon the validity of patent claims under which it is licensed.

There is fundamentally no interest of the public and no question of public policy involved in the controversy.

Obviously any member of the public is perfectly free to enter into the manufacture, sale and use of transformers not covered by the claims of the Daley *et al.* patent or covered only by invalid claims of that patent, if such there be.

Labored effort is made to distort a decision of the Sixth Circuit Court of Appeals in an earlier-instituted litigation under the same patent against an infringer, the France Mfg. Co. (106 F. 2d 605). It requires only a superficial reading of the decision of that Court to recognize that it was not declaring any of the claims not there in suit invalid but on the contrary was expressly leaving all the claims not there in suit invested with their *prima facie* validity.

The real issue and the only real issue of this controversy is the response or non-response to the claims sued upon, of the transformers manufactured by Petitioner

for which no accounting has been made as provided in the contract.

The license contract between the parties is not onerous or oppressive and does not contravene public policy.

The Respondent has fully discharged its obligation under the license contract to "bring and diligently prosecute such suits for infringement of the patents under which this license is granted as may be necessary for enforcing those patents and preventing unlicensed competition" (R. p. 9). No averment to the contrary appears in Petitioner's answer or counterclaim.

Much stress is laid upon Respondent's withdrawal of certain claims of the Daley. *et al.* patent before trial of the suit against the France Company, with repeated reiteration that such withdrawal was because of the recognized invalidity of those claims and that this action by Respondent constituted a breach of the spirit and intent of the license contract.

*There is no such provision embodied in the contract nor any to be read thereinto by implication despite Petitioner's effort so to do.*

The doctrine of licensee-estoppel has long been accepted and endorsed by the Courts of this country and very properly so. It would be unconscionable if a patent licensee were permitted to accept all of the benefits flowing from its license while at the same time in position to attack portions of that patent, presumptively valid, and thereby impair if not destroy the patent under which it has derived benefits.

As the Seventh Circuit Court of Appeals very aptly pointed out in the case at bar, Petitioner was under no compulsion to enter into the license contract (Rec.

p. 69) and it should have insisted upon embodiment in the contract of a provision compelling Respondent to sue upon each and every claim which might reasonably be deemed to be infringed by an unlicensed competitor, if it desired that sort of contract. Obviously that was not done and the obligation which was imposed upon Respondent was only to sue, not to assert all possible claims in the event of suit.

## I.

**The Case at Bar Is Purely a Proceeding by One Contractor Against Another and the Only Issue Is the Response or Non-Response of Petitioner's Transformers to the Claims Charged to Read Upon Them.**

A review of the pleadings (Rec. p. 2 *et seq.*) clearly establishes that the complaint filed herein charges Respondent with certain breaches of the license contract between the parties and includes a prayer for an accounting upon certain transformers manufactured and sold by Petitioner upon which no report or account was made. That, after issue was joined, made the real issue simply one of response or non-response of those unreported transformers to the claims in suit, of course with the right enuring to the Petitioner to avail itself of the prior art to determine the proper scope of those claims but without any right enuring to Petitioner to attack the validity of those claims.\*

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\* Incidentally we point out that among the claims charged to cover these unreported devices are included claims 14 and 19 (Rec. p. 39) which were adjudged valid and infringed by the Sixth Circuit Court of Appeals in the suit of *Jefferson Electric Co. v. France Mfg. Co.* reported at 106 F. 2d 605.

## II

**The License Contract Between the Parties Is Not Onerous or Oppressive and Is Not Contra Public Policy. Respondent Has Discharged Its Obligation Under the License Contract.**

The license contract grants a non-exclusive license under two patents including the Daley *et al.* patent No. 1,777,256 of September 30, 1930, and a casual reading of it is sufficient to establish that the terms are not oppressive upon the Petitioner. As the lower court very aptly put it:

"The license before us was not entered into without thought on the part of appellant" (Rec. p. 69).

The agreement does provide for maintenance of the same prices by Petitioner that are charged its customers by Respondent. There is nothing improper in such a provision and obviously it could hardly be expected that a manufacturing licensor would grant a license under its patents to a competitor and permit that competitor to ruin its market by destructive price cutting. Certainly, Petitioner is in a much better position in being permitted to operate as a licensee and being permitted to enjoy the monopoly of the Daley *et al.* patent than it would be if forced to operate as a competitor with unpatented devices.

Having in mind that Petitioner at any time may terminate the agreement upon 30 days' notice (Rec. p. 10, par. 11), the very tenacity with which Petitioner clings to its license despite this controversy and despite its protestations of the invalidity of many of the claims of that patent cogently evidences the value which it places upon its license.



Petitioner has seen fit to include an affidavit by one Marshall in its petition (p. 14) setting forth a number of other substantial licensees and alleging a substantial volume of business in these patented transformers.

We had always believed the rule to be that on motions to dismiss of this character only pleadings were available for consideration and that affidavits were not properly to be received or considered. Possibly we are in error in this understanding.

In any event the Marshall affidavit indicates something of the merit and value of the invention of the Daley *et al.* patent under which Petitioner is licensed and gives further evidence of the reason for its clinging to its license thereunder.

As to the alleged public interest and public policy, we simply point out what is already well known to this Court, that maintenance of prices of a patented product by licensees under the patent or patents covering that product has repeatedly been adjudged perfectly proper and not in contravention of the public interest or public policy.

It is sufficient to point to two leading cases decided by this Court wherein such agreements were held legal and proper:

*Bement v. National Harrow Co.*, 186 U. S. 70.

*U. S. v. General Electric Co. et al.*, 272 U. S. 476.

As we have said above, public interest is not involved. Any member of the public is free to manufacture, sell and use any portion of the Daley *et al.* invention which is not covered by valid claims. There is no restraint in that respect upon the public.

It is emphatically asserted in Petitioner's brief (p. 22 *et seq.*) that "the public is entitled to free competition in a device which is a part of the public domain,"

and we have no quarrel with that contention. However, it is for the public to decide whether or not the *prima facie* or presumptive validity attaching to the grant by the Patent Office is rebuttable, should the public or any member thereof wish to manufacture, sell, or use the invention disclosed and claimed by Daley *et al.*

The cases cited by Petitioner such as the *Motion Picture* patent case, 243 U. S. 513; the *Ethyl Gasoline* case, 309 U. S. 436; the *Lecithin* case, 105 F. (2d) 207; the *Carbice* case, 283 U. S. 27; *Leitch v. Barber Asphalt Co.*, 302 U. S. 458; and the very recent cases of *Morton Salt Co.*, 86 L. Ed. 317, and *B. B. Chemical Co.*, 86 L. Ed. 320, all involved an effort by the patent owners of those suits to extend the monopolies of their patent claims beyond what was actually claimed in order to control the sale or use of unpatented materials, commodities, apparatus, etc.

There is no such situation confronting the Court in the case at bar as is obvious.

As to the alleged public interest in this controversy, we pose this question: Would the public be in any better position if Respondent had never extended licenses to Petitioner and other manufacturers to manufacture, sell and use the invention of the Daley *et al.* patent? Most certainly, if anything, the public would be in worse plight with only one source of supply in lieu of the numerous sources indicated by the Marschall affidavit, and yet the Respondent was under no obligation to extend the benefit of its patent monopoly by license to Petitioner and others.

We submit likewise that there is no obligation, actual or implied resting upon Respondent to assert all of its claims or any particular number of such claims

against an infringer. It is merely obligated under the agreement to assert its patent *to stop unlicensed competition* and that has been done in the case of the France Mfg. Co., *supra*. Petitioner seeks to read an implied obligation to sue under all claims which may be deemed to infringe by reference to that portion of the license contract which relieves it of further payment of royalties after final adjudication of invalidity of any claims which *alone* cover devices of the Petitioner's manufacture (Rec. p. 10, par. 11b).

That, we say, is not an obligation to assert all claims which might be deemed infringed. It would have been a simple matter so to phrase the contract had that been the intent and desire of the parties.

In this connection, Petitioner asks in its brief (p. 31):

"Must petitioner wait until respondent chooses to sue upon the broad claims before Petitioner can secure a formal adjudication of their clear invalidity and share in the rights of the public to the subject matter defined therein?"

The answer to that is "Yes," *unless* the public is infringing those claims and impairing the monopoly under those claims which Petitioner is enjoying, in which latter event, Respondent is obligated reasonably to institute suit against the infringing members of the public.

In short, until Petitioner is evicted from its enjoyment of the license (and we deny that there is any eviction here), it may not avoid its obligation to pay the royalties due because of such enjoyment.

It is obvious that this Petitioner is seeking a judicial reformation of its license contract with nothing to establish any such intent on the part of the contracting parties.

There is constant reference to "broad claims" and "narrow claims" in Petitioner's brief in an effort to interpret the decision of the Sixth Circuit Court of Appeals in the France case as an adjudication of invalidity of those so-called broad claims. We do not accept that classification and as we shall point out later, no such conclusion may rightly be reached from that decision.

There is no charge in the Petitioner's counter-claim that Respondent has failed to sue infringers as required by paragraph 10 of the license contract (Rec. p. 9). The complaint is that it did not permit all of the claims originally asserted in the France litigation to remain in suit at the trial of that cause. As stated before, no provision may be found in the license contract which compels any such unreasonable procedure on the part of the Respondent.

What may have motivated counsel for Respondent in the France case to withdraw certain claims before trial in the case is not known to us but we find no justification in the record of that case for the assertions of Petitioner scattered through its petition and brief and certainly the Court of Appeals for the Sixth Circuit clearly held that such action did not affect the validity of the withdrawn claims (106 F. 2d 610, 611).

Petitioner does mention in its petition (p. 12, footnote) that the District Court entertaining the accounting in the France case, refused to include a subsequently developed transformer in that accounting leaving it to Respondent here to institute any action if such device were deemed to infringe. On this point, the decision of the Seventh Circuit Court of Appeals below is very apt:

"There is no provision in the license which re-



quires the licensor to institute any action for the purpose of declaring any claim invalid. It was clearly appellant's intention to be protected by every claim in the patent. So, when appellee instituted action in the Sixth Circuit against the France Manufacturing Company, its duty was to prosecute that case for the purpose of enforcing the patents and preventing competition of France with appellant (Petitioner here), who was not a party to the action. *This it did by establishing the validity of three claims just as effectively as if it had prosecuted every claim. Appellee had a right to choose the claims for contest in that case in order to carry out its duty to appellant under the license.*" (Italics ours—Rec. p. 69.)

### III.

#### The Doctrine of Licensee-Estoppel Has Long Been Accepted and Approved by the Courts of this Country.

At least as early as 1855 this Court laid down the doctrine that a patent licensee is estopped to challenge the validity of the patent under which it is licensed. We refer to the leading case of *Kinsman v. Parkhurst*, 59 U. S. 289, where the Court, speaking through Justice Curtis, stated:

"But we have not found it necessary to come to a decided opinion upon this point because we are all of the opinion that, under the agreement of the 9th of February, 1846, *the invalidity of the patent would not afford a bar to the complainant's right to an account.* Having actually received profits from the sales of the patented machines, which profits the defendants do not show have been or were in any way liable to be affected by the invalidity of the patent, its validity is immaterial. However, we think *the defendants are estopped*

*from alleging that invalidity.* They have made and sold these machines under the complainant's title and for his account, and they can no more be allowed to deny the title and retain the profits to their own use, than an agent who has collected a debt for a principal, can insist on keeping the money upon an allegation that the debt was not justly due." (*Italics ours*—l. c. 292, 293.)

This Court in the cited case went farther than is required in the case at bar in holding that even an adjudication of invalidity in collateral litigation would not benefit licensee or enable it to escape payment of sums due the licensor under the license. In the instant case the Petitioner is fully protected by the license agreement in the event the patent claims under which it is licensed are judged invalid, and is further protected by its contractual right to terminate the agreement on thirty days' notice.

We repeat, it should not be permitted to retain its license and enjoy the benefits thereof and at the same time attack the validity of the patent under which it is licensed.

Other cases frequently cited, recognizing this doctrine, include the following:

*Indiana Mfg. Co. v. J. I. Case Threshing Machine Co.*, 154 Fed. 365, 370 (7 C. C. A.).

*Chicago & A. Railway v. Pressed Steel Co.*, 243 Fed. 883 (7 C. C. A.).

*Galion Iron Works & Mfg. Co. v. J. D. Adams Mfg. Co.*, 105 F. (2d) 943, 947, 948.

*Kessel et al.*, 113 F. (2d) 381, 382 (7 C. C. A.); cert. den. 311 U. S. 703.

The petitioner's brief contains the statement that in the instant patent license, "There has been no express acknowledgment by petitioner of validity, nor has pe-

itioner expressly covenanted not to contest validity; ...” (p. 21).

As to this we say it has always been recognized that the acceptance of a license such as here involved implies a concession of validity by the licensee.

*Steiner Sales Co. v. Schwartz Sales Co.*, 98 F. (2d) 999, 1009 (10 C. C. A.).

Walker on Patents—Deller's Edition, Vol. 2, p. 1492.

Incidentally, government-sponsored Chemical Foundation, Inc., availed itself of this same doctrine of licensee-estoppel in the Supreme Court of New York in a recent suit instituted by it against Bethlehem Steel Co., Inc., to recover royalties under a patent license agreement and the Court in that case (reported at 46 U. S. P. Q. 290) recognized this doctrine and likewise the propriety of including price maintenance provisions in a patent license agreement.

#### IV.

**The Sixth Circuit Court of Appeals Did Not Directly or Indirectly Hold Invalid Any of the Claims of the Daley et al. Patent But on the Contrary Expressly Recognized Claims Originally Asserted and Later Withdrawn from Suit Before Trial as Invested With Their Original Prima Facie Validity.**

A labored effort is made, by constant reiterated misstatement, to distort the opinion of the Circuit Court of Appeals for the Sixth Circuit in the France case to convince this Court that the non-asserted claims (previously withdrawn from suit) were adjudged invalid by that Court, whereas the contrary was definitely true as we shall point out.

It is true that the Sixth Circuit Court of Appeals did point to the presence in the prior art of certain elements of the transformer of the Daley *et al.* patent. *Such findings, however, were in connection with the Court's consideration and evaluation of claims 8, 14 and 19 which were retained in suit and adjudged valid and infringed.*

Petitioner constantly seeks to persuade this Court in its brief (p. 5 *et seq.*) that only a balanced transformer is covered by the claims withdrawn from the France litigation and couples such statement with the finding of the Court that the balanced transformer was old in the art. We do not challenge that finding of the Court.

We do say, however, that the withdrawn claims include elements and details which were not specifically discussed by the Court and the Court was very obviously not passing upon the validity or invalidity of such claims.

We see no pertinence to this controversy in the labored effort to parallel such claims with the findings of the Sixth Circuit Court of Appeals for that reason.

The outrageous statement is also made in the petition:

"... in a prior patent infringement suit involving the licensed patent, a competent court not only vitiated the *prima facie* validity of certain claims but also, in practical effect, found them invalid,..." (p. 9).

and again we challenge the statement:

"... a court has found patentability solely in a specific combination,..." (p. 10).

We repeat, the Court was expressly considering only the claims retained in suit, mainly, 8, 14 and 17.



The answer to all of these fallacious assertions and contentions is found in the opinion itself of the Court of Appeals for the Sixth Circuit in the France case (106 F. 2d 605) in the following words:

"... the attorney for appellee in the case at bar expressly declined to abandon the claims not declared on.

"(12) In our opinion this was not a binding admission that the claims not in suit were invalid" (citing cases)..

"(13) The trial court refused the request of counsel for appellant to rule on the validity of the claims of the patent not declared. A consideration of the evidence makes applicable the rule that an inspection of the patent by the patentees or the assignee would not have disclosed that they had claimed more than they had invented or described. They had the right to rely on the presumption of the validity of their claims granted by the Patent Office until a court of competent jurisdiction decided that their claim or claims were broader than their real invention." (Citing cases—106 F. 2d 610, 611.)

How in the face of that statement by the Court, Petitioner can contend that the Court stripped all those withdrawn claims of their presumptive validity is beyond our comprehension. Certainly, the Court of Appeals for the Seventh Circuit in the case at bar did not so think as is evidenced by the following quotation from its opinion:

"Appellant further contends that the decision in the France case published to the world the invalidity of the claims which were withdrawn, and constitutes an eviction of appellant from any claim of monopoly thereafter. It further argues that that court, inferentially at least, declared those withdrawn claims invalid. There is no language in that decision which bears out this statement.

True, the appellant in that case made a vigorous effort to have that court pass upon the validity of the claims withdrawn, but it expressly declined to do so" (Rec. p. 70).

Incidentally we also challenge the assertion in the petition (p. 7):

"... that Respondent is attempting to exercise unlawfully price control over Petitioner on devices which if covered at all, *are covered only by the broad claims of the patent, which were withdrawn from issue in the prior suit and which are in fact void.*" (Italics ours.)

Reference to the bill of particulars in this case establishes that these devices are charged (Rec. p. 39) to come within claims 14 and 19 of the Daley et al. patent as well as others and these claims 14 and 19 were litigated in the France case and found valid and infringed.

### Conclusion.

In conclusion, we submit that the lower courts, respectively, dismissed and approved the dismissal of Petitioner's counter-claim; that the long established doctrine of licensee-estoppel is a perfectly proper one and clearly applicable in the instant case to preclude Petitioner from attacking the validity of claims of the Daley et al. patent under which it is licensed; that the interest of the public is in no wise affected by or involved in the dismissal of said counter-claim; and that Petitioner's petition should be dismissed.

Respectfully submitted,

THOMAS H. SHERIDAN,  
Counsel for Respondent.

Chicago, Illinois,

March 26, 1942.



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CLERK

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IN THE  
**SUPREME COURT OF THE UNITED STATES**

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OCTOBER TERM, A. D. 1942.

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No. 45.

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**SOLA ELECTRIC COMPANY,**

*Petitioner,*

vs.

**JEFFERSON ELECTRIC COMPANY,**

*Respondent.*

---

**BRIEF FOR RESPONDENT.**

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THOMAS H. SHERIDAN,

135 South LaSalle Street,  
Chicago, Illinois,

*Counsel for Respondent.*

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## APPENDIX A.

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IN THE  
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**SOLA ELECTRIC COMPANY,**  
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---

BRIEF FOR RESPONDENT.

---

**THE TRUE QUESTION PRESENTED.**

We submit that the true and only question before this Court for decision in this controversy is this: Has the Petitioner the right to attack the validity of patent claims under which it is licensed in a proceeding to collect royalties allegedly due Respondent under such contract, the case at bar presented by the Bill and Answer being purely one sounding in contract and with no charge of infringement of such claims?

An ancillary question has been injected into the controversy which may be stated as follows: Is the estoppel to attack the validity of a patent under which







it is licensed, imposed upon a licensee, which the courts have repeatedly recognized, to be disregarded and nullified merely because the license contract between the parties includes a provision requiring Petitioner, as licensee, to maintain the same prices for the licensed product which it manufactures and sells as those charged to customers by Respondent, the licensor?

### SUMMARY OF ARGUMENT.

1. The proceeding instituted by Respondent was wholly one for the performance by Petitioner, a non-exclusive licensee, of the license contract between the parties, particularly to make the payments allegedly due on certain transformers charged to respond to certain claims of the patent under which petitioner is licensed. There is no element or aspect of patent infringement involved in the controversy. This is not a "patent case" but a contract case.

2. There is or has been no effort by Respondent to impose illegal price restrictions on the operations of Petitioner or anyone else, either by demanding royalties upon unpatented materials or the like or by seeking to restrain trade in unpatented devices, materials, or the like under an invalid patent. To the contrary, Respondent has merely sought to collect royalties on transformers responding to claims of the patent to Daley *et al.* 1,777,256 as provided in the license contract between the parties, and Respondent is fully entitled to rely upon the *prima facie* validity of the claims of that patent in so doing.

3. The effect of Respondent's conduct of the litigation against an infringer, France Manufacturing Co., was not such as to render any of the claims of the Daley *et al.* patent invalid as alleged by Petitioner.

Nor was the effect of the decision of the Sixth Circuit Court of Appeals in the *France* case\* such as to establish or indicate the invalidity of certain claims withdrawn from suit there, but, on the contrary, the effect of that decision was to stress the *prima facie* validity of such claims and the right of Petitioner to rely upon that *prima facie* validity.

4. The courts of this country have long recognized and applied the doctrine of licensee-estoppel to preclude challenge of the validity of patent claims by a licensee under such claims and very properly so. There is no authority cited by the Petitioner which rejects that doctrine of licensee-estoppel, properly applied.

5. There is no valid ground to justify withholding the application of the estoppel, which, we submit, is imposed upon Petitioner as a licensee to attack the validity of patent claims under which it is licensed. There is no public interest involved in this controversy. There are no equities here which favor Petitioner's contention. The license contract fully protects Petitioner against infringing competition, and there has been no averment by Petitioner of failure to proceed against infringers. In fact, the record shows that in suing the France Manufacturing Co., Respondent has fulfilled its obligation in that respect under the contract. Also, under the license contract Petitioner may cancel such license on reasonable notice and is additionally protected by that provision.

6. In likening the case at bar to a species of declaratory judgment proceeding, Petitioner ignores and disregards the fact that the only controversy between the parties which might possibly justify such a

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\**France Mfg. Co. v. Jefferson Electric Co.*, 106 F. (2d) 605.



proceeding was that arising from Respondent's demand for payment of royalties allegedly due under the contract. There was no charge of infringement or threat to sue for infringement. So far as there was an actual controversy, it was presented to the lower courts for adjudication by the filing of the Bill of Complaint, and at most, if at all, the only declaratory judgment which Petitioner could properly have demanded was one decreeing it not liable for the payment of such royalties. Such a proceeding would have been superfluous, but might have been proper. That is not the proceeding which flowed from the filing of Petitioner's counterclaim asking to have the right to challenge the validity and thereby invalidate, if possible, certain claims of the patent under which it is licensed and is operating.

7. While we are in agreement with opposing counsel that there is no written statute, either Federal or State, which establishes this doctrine of licensee-estoppel, it is, however, clearly a part of the unwritten law of the State of Illinois by virtue of judicial decisions by the courts of that State, and since the parties are only in the federal courts because of diversity of citizenship, under the doctrine of *Erie R. Co. v. Tompkins*, 304 U. S. 64, that unwritten law of Illinois should apply in the disposition of this certiorari proceeding.

### **ARGUMENT.**

**The Bill of Complaint herein merely charges failure to pay royalties charged to be due by Petitioner and to compel compliance with the terms of the license contract running between the parties. Even the most cursory reading of the Bill of Complaint (Rec. p. 1, et**

seq.) makes clear that this suit was instituted by Respondent to compel Petitioner to account for royalties charged to be due upon certain transformers under the terms of a license granted to Petitioner by Respondent under two patents, only one of which is here involved, namely, the patent to Daley *et al.* No. 1,777,256, issued Sept. 30, 1930 (Exhibit A—Rec. p. 11 *et seq.*).

It is true additionally that Respondent is charging violation of the letter and spirit of the same agreement in other respects and is seeking to restrain such violations (Rec. pp. 4, 5), *but there is nothing which even remotely charges Petitioner with infringement of the Daley et al. patent.*

It thus appears that the controversy was originally wholly one between two contractors under their contract.

In addition to answering the Bill of Complaint and averring that the prior art or the state of the art precluded an interpretation of the claims charged to read upon and find response in the devices upon which admittedly Petitioner had not paid royalties, Petitioner sought to attack the validity of certain of those claims by a counterclaim pleading voluminous prior art for that purpose.

There is no question as to Petitioner's right to assert the prior art for the purpose of assisting the Court in defining the metes and bounds of the claims charged to read upon Petitioner's transformers, but we challenged Petitioner's right by counterclaim, or otherwise, to attack the validity of those claims, and moved to dismiss the counterclaim as presenting no proper cause of action. This motion was sustained by the District Court. From the decision of the District Court, Petitioner appealed to the United States Cir-

cuit Court of Appeals for the Seventh Circuit, which in due course affirmed the decision of the District Court in an opinion handed down by Circuit Judge Sparks.\* It is from that decision, Petitioner has asked for and obtained a Writ of Certiorari in this Court.

The issue presented by the Bill of Complaint and Answer herein is important because it makes clear the absence of any public interest since there is nothing of inherent illegality or immorality implicit in the license contract, and it is to be noted that Petitioner is expressly not seeking a cancellation or a nullification of its license contract, but is expressly seeking to continue to enjoy certain benefits under that contract.

**Respondent has not sought to impose illegal price restrictions upon the manufacture of Petitioner, but is merely seeking primarily to collect royalties it believes to be due it under claims of the Daley et al. patent, adjudicated as valid or prima facie valid.** As we have pointed out above, the issue presented by the Bill of Complaint and Answer herein was primarily the response or non-response of certain transformers manufactured by Petitioner to certain claims of the Daley et al. patent. These claims were specified in Respondent's Bill of Particulars as 1, 2, 4, 11, 12, 13, 14, 15, 17, 19 and 21, of Letters Patent No. 1,777,256 (Rec. pp. 31, 32).

Of those claims, 14 and 19 were adjudged valid in the District Court of Ohio, and that holding was affirmed by the Sixth Circuit Court of Appeals speaking through Judge Hamilton (reported at 186 F. (2d) 605. Therefore, we see that Respondent is not only charging failure to pay royalties under claims which were not adjudicated in the *France Manufacturing* case

\* 125 F. (2d) 322.

which was a suit for an infringement, but also under claims adjudged valid in that litigation. Incidentally, Petitioner in its counterclaim is not attacking the validity of those adjudicated claims 14 and 19. There is no charge, and can properly be no charge in Petitioner's counterclaim that Respondent is seeking in the case at bar to extend its patent to cover commodities, devices, or the like which are not covered by the claims of its patent, nor is it pleaded that Respondent is seeking to impose restrictions on the sale or resale of Petitioner's transformers, in violation of the Federal Statutes. The gist of Petitioner's contention as to its right to attack the validity of the claims charged to read upon its devices *other than claims 14 and 19 of the Daley et al. patent*, is that those claims were deliberately withdrawn from suit in the case against France Manufacturing Company in order to avoid adjudication of invalidity which would have freed petitioner of the obligation to pay royalties on devices responding only to those claims, and that the decision of the Sixth Circuit Court of Appeals establishes the invalidity of those claims.

Relving upon those fallacious premises, Petitioner then turns to the price maintenance provision of the license agreement to inject a mythical "public interest" which, it says, justifies this Court in rejecting the doctrine of licensee-estoppel sustained by the courts of this country for so long, and in permitting Petitioner to attack the validity of those claims involved in the litigation, not heretofore judicially held valid.

Below, we shall point out the fallacy in the premises upon which Petitioner bases its contentions, particularly how the effect of the decision of the Sixth Circuit Court of Appeals in the *France Manufacturing Company* case instead of indicating the invalidity of



the claims not there adjudicated, quite to the contrary pointed to their *prima facie* validity and the right of Respondent here to rely upon that *prima facie* validity.

As we shall also point out below, this Court has judicially recognized the right of a patentee or patent owner to insist that a licensee maintain prices so long as that licensee is operating within the domain of the patent under which it is licensed.

With the recognition of that right by this court and the inferior courts of the land, and with recognition of the estoppel imposed upon patent licensees to attack the validity of a patent or patents under which they are licensed, the only issue properly before the court in the case at bar, is the response or non-response of the defendant's transformers to the claims charged to read upon them, with due recognition of any limitations which may be imposed upon such claims by the prior art.

No admission or finding of invalidity of any of the claims of the Daley et al. patent is to be derived from Respondent's conduct or the decision of the Sixth Circuit Court of Appeals in the France case. On the contrary, that decision stressed the *prima facie* validity of the claims not expressly adjudicated therein. It is true that Respondent originally asserted a number of claims against the France Manufacturing Company (charging it with infringement of those claims) which were withdrawn before trial of the case. What may have motivated counsel for Respondent in that litigation to withdraw those claims, we do not know, but there is no burden imposed upon Respondent by the license contract or otherwise, despite the assertions of Petitioner, to assert any particular claims of its patent or patents. Incidentally, it is quite common for

counsel to select only typical claims from a large number contained in a patent sued upon. In fact, the courts have encouraged and probably should encourage a simplification of patent litigation by limiting the claims in suit to such as may be typical and thereby lighten the burden upon the trial and appellate courts.

The contract between the parties contains no provision that Respondent shall sue upon and assert against an infringer, each and every claim of its patent or patents which may reasonably be deemed to read upon the accused devices. The contract merely contains the provision that:

“(10) The Jefferson Company agrees that it will bring and diligently prosecute such suits for infringement of the patents under which this license is granted as may reasonably be necessary for enforcing those patents and preventing unlicensed competition” (Rec. p. 8).

Jefferson fully complied with this requirement when it instituted suit against the France Company and the effect of that suit, as the decision in the *France* case makes clear and as may be gathered from Petitioner's brief and the petition and brief of the France Manufacturing Company seeking to intervene in this case as *Amicus Curiae*, was to suppress the infringement of the France Company, which obviously was the object of the contract.

Certainly neither Answer nor Counterclaim filed in the case at bar by Petitioner avers or pleads any failure of Respondent to proceed against infringing competitors, and it is significant that there is no assertion or contention either by pleading or in brief that Petitioner ever charged Respondent with failure fully to comply with the spirit as well as the letter of the license contract, until this proceeding was instituted

against Petitioner to collect royalties allegedly due and unpaid under the contract.

We reiterate that there is not one word in the license contract which obligates Respondent to assert each and every claim which may reasonably be charged to infringe, against an infringer.

Petitioner, it is true, seeks to supply by implication what is lacking in words. It is contended that because the license contract contains the following provision:

“ . . . and with respect to any claims *held invalid* or awarded to another, the licensee shall be relieved from including in its reports hereunder transformers shipped, . . . covered *only* by such claims. . . .” (Emphasis ours; Rec. p. 9, Par. 11b.)

there is an implied obligation upon Respondent to inject each and every claim into an infringement suit in order that Petitioner might obtain an adjudication of the invalidity of such claims, and possibly obtain their elimination from the license contract.

Certainly it would be a unique and unjust doctrine of law or interpretation which would impose upon a licensor any such obligation, *in the absence of express language to that effect*. And here there is not one word which establishes any such intent on the part of the contracting parties. Contracts have been judicially reformed, it is true, but we know of no instance where that was done without definite and convincing proof that such reformation was necessary to effectuate the original intent and desire of *both* parties.

In the case at bar, we submit, Respondent was perfectly right in relying upon the *prima facie* validity of the claims of its patent until an adverse decision of the courts should rebut that validity.

As we shall point out below, if failure to assert claims might result in infringing competition of consequence, Petitioner has the right under the license contract to demand that suit be instituted to suppress competition. Additionally it has the right to cancel this contract without cause upon thirty days written notice (Rec. p. 8, Par. 11).

Counsel for Petitioner with great facility develops what it says were Respondent's motives in withdrawing certain claims from the *France Company* case. We say that any such conclusions and assertions as appear in Petitioner's brief (p. 32 *et seq.*) are wholly unwarranted and fallacious.

The contract should govern as between the parties. As we have pointed out, Respondent has fully complied with the obligations of the contract.

Petitioner in its brief repeatedly refers to the claims withdrawn from suit in the *France* case as "broad claims" and those adjudicated as valid as "narrow claims." Whether or not this classification be correct is unimportant in this proceeding.

Petitioner also by a labored analysis and comparison of claim 13 with claim 14 and with reference to the decision of the Sixth Circuit Court of Appeals in the *France* case seeks to establish the invalidity of claim 13 and thereby that of the other unadjudicated claims.

It is true that the Court stated that balanced transformers were old, and it is true that claim 13 is directed to a balanced transformer, *but the Sixth Circuit Court of Appeals did not say or hold that the balanced transformer of claim 13 is old in the art. Nor does it follow from the true holding of the court that such is the case.*



It is not to be believed that if the Sixth Circuit Court had thought the prior art before it invalidated claim 13, for example, it would have said:

"A consideration of the evidence makes applicable the rule that an inspection of the patent by the patentees or their assignee would not have disclosed they had claimed more than they had invented or described." (106 F. (2d) 611.)

We note also that in the *France* case the defendant sought to convince the Sixth Circuit Court of Appeals that Respondent's conduct in withdrawing certain claims from issue was an admission that those claims were invalid.

The Court of Appeals quickly and thoroughly rejected that contention.

"... but the attorney for appellee in the case at bar expressly declined to abandon the claims not declared on.

"[12] In our opinion this was not a binding admission that the claims not in suit were invalid. *Union Trust Company v. Southern Sawmills & Lumber Company*, 4 Cir., 166 F. 193; *L. P. Larson, Jr. Company v. Wm. Wrigley, Jr. Company*, 7 Cir., 253 F. 914." (106 F. 2d 610, 611.)

It is noted in passing that the defendant in the *France* case petitioned this Court for Writ of Certiorari to the Sixth Circuit Court of Appeals on the ground that the withdrawn claims were invalid and that Respondent's failure to disclaim as to those claims rendered its whole patent invalid. The same line of argument and reasoning was advanced in that petition for certiorari. *That petition was denied by this Court.\**

The doctrine of licensee estoppel is a long established one which has been uniformly recognized by

\* 309 U. S. 657.

the courts of this country. At least as early as the decision in *Kinsman et al. v. Parkhurst*, 59 U. S. 289, this Court held as follows:

"The principal objection made by the appellants to the decree of the court below is that Parkhurst was not the original and first inventor of the thing patented. We are not satisfied that this is made out. But we have not found it necessary to come to a decided opinion upon this point, because we are all of opinion that, under the agreement of the ninth of February, 1846, the invalidity of the patent would not afford a bar to the complainant's right to an account. Having actually received profits from sales of the patented machine, which profits the defendants do not show have been or are in any way liable to be affected by the invalidity of the patent, its validity is immaterial. Moreover, we think the defendants are estopped from alleging that invalidity. They have made and sold these machines under the complainant's title and for his account; and they can no more be allowed to deny that title and retain the profits to their own use, than an agent, who has collected a debt for his principal, can insist on keeping the money, upon an allegation that the debt was not justly due." (l.c. 292, 293.)

That doctrine has been applied in numerous suits between owners of patents and those operating by license or otherwise under such patents. It seems unnecessary to burden the Court with an extended citation of cases, but we do point to a collation of many in "Walker on Patents—Deller Edition," Vol. 2, p. 1492 *et seq.*

A leading case frequently cited on this point and on all-fours with the case at bar in this respect was that of *United States v. Harvey Steel Company*, reported at 196 U. S. 310. From the opinion handed down by Mr.

Justice Holmes speaking for this Court, we quote the following:\*

"Finally, it was agreed that 'in case it should at any time be judicially decided that the party of the first part is not legally entitled, under the letters patent aforesaid, to own and control the exclusive right to the use and employment of said process, and the decrementally hardened armor plates produced thereunder, as set forth in the letters patent aforesaid, then the payment of royalty under the terms of this agreement shall cease, and all sums of money due the party of the first part from the party of the second part, as royalty for the use and employment of said process, and armor plates, as aforesaid, shall become the property of the party of the second part.' (l.c. 315.)

"It never has been judicially decided that the claimant has not the rights mentioned in the last quoted clause of the contract. The United States asked additional findings, which, it now, contends, would establish that the patent was invalid, or, if valid, valid only if restricted. . . . (l.c. 315.)"

"The main question is whether, under the last quoted clause of the contract, the United States can set up the invalidity of the patent in this suit. It is argued also that the United States ought to have been allowed to show that it had not used the patent, properly construed, although it is not denied that it has used the process communicated to it and known in common speech as the Harvey process. (l.c. 315.)"

"The words of the condition on which the payment of royalty was to cease, taken in their natural and literal sense, do not mean what the Government says. A plea of that condition, to satisfy the words 'in case it should at any time be judi-

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\* The case was one instituted by the Harvey Steel Company against the United States under a license contract to recover royalties as is sought by Respondent in the case at bar.

cially decided' ~~that~~ the patent was bad, would have to be that it had been decided to that effect. It would not be enough to say that the defendant thought the patent bad, *and would like to have the court decide so now*. We see no reason to depart from the literal meaning of the words. (Emphasis ours—l.c. 316.)

"The truth seems to be that the proviso is a more or less well-known and conventional one in licenses, *Charter Gas Engine Co. v. Charter*, 47 Ill. App. 36, 51, not a special contrivance for the special case, and that fact alone is enough to invalidate attempts to twist the meaning of the words to the interest of either side. The proviso was inserted, no doubt, on the assumption that a licensee, when sued for royalties, is estopped to deny the validity of the patent which he has been using, and to give him the benefit of litigation by or against third persons, notwithstanding that rule." (l.c. 317.)

There as here the licensee was protected by the provision that an adjudication of invalidity of claims in the patent under which it was licensed would free that licensee from its obligations under the contract and would put it in position to challenge the validity of the patent *to that extent* if licensor made any effort after such an adverse adjudication to continue to collect royalties.

We shall not cumber this brief with an extended discussion of the authorities relied upon by Petitioner at this point, but we do insist that in no one of the cases cited by Petitioner was there any rejection of the doctrine of licensee-estoppel where plaintiff was merely seeking to collect royalties under a license contract with no effort to extend the monopoly of its patent beyond the metes and bounds of the claims of that patent. In short, there is no authority cited or relied upon by Petitioner which is in conflict with the deci-



sion of this court in *United States v. Harvey Steel Company, supra*.

In soliciting and accepting a license under the Daley *et al.* patent, Petitioner recognized and accepted the *prima facie* validity of all the claims of that patent until and unless they might be formally adjudicated invalid.

There is no public interest properly involved in this controversy, and there are no equities in this controversy which would justify the Court in disregarding the estoppel imposed upon Petitioner to attack the validity of the claims under which it is licensed. It is strenuously argued (Pet. Br. p. 15 *et seq.*, p. 28 *et seq.*) that the inclusion of a price maintenance provision (Rec. p. 7, Par. 5) necessarily involves the interest of the public in this proceeding and warrants the nullification of the estoppel to challenge the validity of the patent under which it is licensed which might otherwise restrain Respondent from so doing. It is not asserted that Respondent is endeavoring to collect royalties or suppress competition in any device not covered by or responsive to the claims of the Daley *et al.* patent.

Let us point out at the outset that the provision referred to above merely required that Petitioner, as a licensee, would not undersell Respondent in the sale of the licensed devices. There is nothing inequitable in such a provision as between the parties, because in opening its monopoly to Petitioner and permitting competition by Petitioner with the patented devices, Respondent was encouraging competition, and it should not be faced with destructive price cutting competition as to devices on which it enjoyed a legitimate monopoly. As Mr. Chief Justice Taft said speaking for this Court in *United States v. General Electric Co.*, 272 U. S. 476:

"When the patentee licenses another to make and vend, and retains the right to continue to make and vend on his own account, the price at which his licensee will sell will necessarily affect the price at which he can sell his own patented goods. It would seem entirely reasonable that he should say to the licensee, 'Yes, you may make and sell articles under my patent, but not so as to destroy the profit that I wish to obtain by making them and selling them myself.' " (L. c. 490.)

Petitioner contends (Pet. Br. p. 28 *et seq.*) that the public is interested immediately in a license under a patent which seeks to control unpatented materials or devices, etc. That may be true, but that does not warrant Petitioner as a licensee, not as a member of the public, in questioning the validity of the claims under which it is licensed in the absence of an adjudication establishing their invalidity. If an effort were being made by Respondent to maintain prices under an invalid patent, the public would have a perfect right to attack the arrangement entered into by Petitioner and Respondent; but that is not the situation here, nor is the public, as we reiterate, a party to this controversy.

*Petitioner is not being sued as a member of the Public, but as a co-contractor with Respondent under the contract.*

That is quite different from a proceeding where, as in the *France* case, the defendant was charged with infringement and was fully entitled to rely upon all defenses available to the public generally, including the right to contest the validity of the patent under which it was sued. Likewise, where the United States proceeds against a patent owner charging restraint of trade by illegal use of its patent, the public interest is clearly involved.

The authorities cited by Petitioner are of those two

categories, namely, where a defendant is sued for infringement or where the government is acting on behalf of the public to protect the public interest.

In the former class are such cases as *Standard Sanitary Mfg. Co. v. United States*, 226 U. S. 20, and *United States v. The Masonite Corp.*, ..... U. S. ....; 86 L. Ed. 1006.

In the latter category are such cases as the *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, *Carbice Corporation v. American Patents Corp.*, 283 U. S. 27, 31; *Leitch Manufacturing Co. v. Barber Co.*, 302 U. S. 458, *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488, *B. B. Chemical Co. v. Ellis*, 314 U. S. 495, *Hill v. Wooster*, 132 U. S. 693, and others relied upon by Petitioner.

Petitioner admits (Pét. Br. p. 17) that price fixing in patent licenses is permitted in some cases at least, citing the leading cases of *Bement v. National Harvester Co.*, 186 U. S. 70, and the more recent case of *United States v. General Electric Co. et al.*, 272 U. S. 476.

We do not find in the very recent, unanimous decision of this Court in the case of *Ethyl Gasolene Corp. v. United States*, in which the opinion was delivered by Mr. Justice Stone, any pronouncement which would conflict with the decisions of the two cases cited just above. Although there is no specific mention in the latter decision of price fixing or price maintenance, this right of a patentee would seem clearly to come within this court's dictum which we quote as follows:

"The patent law confers on the patentee a limited monopoly, the right or power to exclude all others from manufacturing, using, or selling his invention. . . . The extent of that right is limited by the definition of his invention, as its bound-

aries are marked by the specifications and claims of the patent. *Motion Picture Patents Co. v. Universal Film Co.*, 243 U. S. 502, 510. He may grant licenses to make, use or vend, restricted in point of space or time, or with any other restriction upon the exercise of the granted privilege, save only that by attaching a condition to his license he may not enlarge his monopoly and thus acquire some other which the statute and the patent together did not give." (309 U. S. 436, 456.)

There has been no effort made by Respondent to extend its monopoly by departing from the proper scope of the claims of the Daley *et al.* patent. There has been no effort to exact tribute or impose restrictions upon the manufacture or sale of unpatented commodities, materials, or the like by assertion of the Daley *et al.* patent. There has been no effort made to control or impose limitations upon the resale of defendant's product. In short, Respondent is merely seeking to collect royalties which it contends are due it from Petitioner, because certain devices manufactured by Petitioner are believed to respond to claims of the Daley *et al.* patent under which Petitioner is licensed.

We reiterate there is nothing to be found in the decisions of the federal courts or in the statutes of the United States which precludes that effort by Petitioner, and we further reiterate that there is no interest of the public involved in this controversy.

As we have pointed out above, Petitioner, being unable to find any violation of Respondent's obligation to protect Petitioner in its licensed manufacture under the Daley *et al.* patent, has resorted to the fiction that there is an implied obligation to assert each and every claim which might conceivably read upon an infringing device in a proceeding against an infringer. This, it is said, flows from the contractual provision that in



the event of an *adjudication* of invalidity of claims of the patent which are the only ones finding response in the devices manufactured by Petitioner, Petitioner is relieved from further payment of royalty on such devices. And it is further said that the claims withdrawn from suit in the *France* case would have been held invalid and Petitioner would have been freed from any payment of royalties on the devices here involved. We have fully discussed the vice in that argument, above. The fact is that Respondent fully discharged its obligation by suing the France Manufacturing Company, and the effect of that suit was to eliminate infringing competition by that defendant.

In line with that same contention, it is intimated that there has been an eviction of Petitioner from its enjoyment of the license contract. This is certainly a desperate effort by fallacious assertion to enable Petitioner to escape the estoppel which, we submit, is properly imposed upon it to challenge the validity of the *Daley et al.* patent.

There has been no true eviction and none has been pleaded in this controversy. It cannot be honestly argued that Petitioner is meeting competition from infringing devices which would be essential to an eviction.

When the claim of eviction is properly weighed, it will be readily seen how unfounded and how unwarranted it is.

We point out again that should infringing competition of substance arise, the contract between the parties permits Petitioner to demand suit to restrain such competition, and again, as we have pointed out, should conditions, commercial or otherwise, render a continuance of operations by Petitioner under the contract unprofitable or undesirable, Petitioner has the right to

cancel and be free of the contract on thirty days' notice (Rec. p. 8, Par. 11). Since so far as the pleadings show, Petitioner is enjoying the protection of the Daley *et al.* patent and is not suffering from infringing competition, it should be compelled to observe and comply with the obligations of the contract, which obligations constitute a consideration for the grant of its license. The lower court clearly held with Respondent on these points and aptly summarized them in its decision\* sustaining the dismissal of Petitioner's counterclaim by the District Court.

Petitioner, as a licensee, would like to emasculate the patent under which it is licensed by attacking the validity of certain of the claims thereof in order to escape payment on devices adopted after it obtained the license, but at the same time continue to operate as a licensee under those claims which have been adjudged valid. It would be a unique and inequitable doctrine which would permit and encourage any such conduct.

**Petitioner can derive no support from the Declaratory Judgment Act.** In Appendix A we quote the pertinent portion of the Declaratory Judgment Act. The very first line of that act emphasizes that "actual controversy" must exist between the parties before such a proceeding can be instituted. In likening its Counterclaim to a declaratory judgment proceeding, Petitioner is deliberately or otherwise disregarding the facts in the case at bar. If there were an "actual controversy" between the parties, it was solely one of failure to comply with the terms of the license contract, particularly the payment of royalties charged, to be due under that contract. *There is not the slightest intimation, and there cannot*

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\* 125 F. (2d) 324, Par. 3 *et seq.*

be, that Respondent has charged or is charging Petitioner with infringement of the Daley et al. patent. Therefore, there is no controversy between the parties with respect to any issue of infringement, and the sole controversy is one of contract, which is before the lower courts, at least by Bill and Answer, in the case at bar. We submit that if any declaratory judgment proceeding were available to Petitioner against Respondent, it would be one seeking to adjudicate its obligation to pay royalties on said transformers charged to be covered by the Daley et al. patent, and such a proceeding would merely be redundant in view of the filing of Respondent's Bill herein.

**The Doctrine of Erie Railroad Co. v. Tompkins does appear to apply to that phase of this controversy which is before this Court by certiorari.** As we understand the decision of this Court in *Erie v. Tompkins*, it held that the Court's decision in an early case of *Swift v. Tyson*, 16 Pet. 1, was erroneous and that the Federal courts, in dealing with a non-federal question, should not only be bound by the written law of the State in which the action might otherwise be brought, but also by the unwritten law of that State, established by decisions of the State courts.

Petitioner here admits that:

“... since Petitioner has its place of business at Chicago, Illinois, and that of Respondent is located at Bellwood, Illinois (R. pp. 1, 5), it may be safely assumed, and will not be disputed, that the contract was executed in the State of Illinois, and that Illinois is the *locus contractus*” (Pet. B. p. 40).

It is also true that the parties are incorporated respectively in the State of Delaware and the State of Illinois (Rec. pp. 1, 5) so that it is clear that this proceeding would not be before the federal court save for

diversity of citizenship, and, as in *Erie v. Tompkins*, the unwritten law of the State of Illinois should control.

We point to several cases decided by the Illinois courts in which the doctrine of licensee-estoppel was recognized and applied. In each case licensee was precluded under that doctrine from challenging the validity of a patent or patents under which it is licensed.

*Havana Press Drill Co. et al. v. Ashurst et al.*, 148 Ill. 115.

*Rhodes v. Ashurst*, 176 Ill. 351.

*Charter Gas Eng. Co. v. John Charter*, 47 Ill. App. 36 (1892).

*Pharis v. Moline Plow Company*, 158 Ill. App. 64.

Petitioner seeks by constant reiteration to inject a federal question into the case at bar (*Pet. Br. p. 43 et seq.*), but the controversy being entirely one originating under a contract between the parties, as we have repeatedly said, is not one involving the patent laws or any other federal question. "Walker on Patents—Deller Edition," Vol. 3, 1603, succinctly states the fact and collates a large number of pertinent decisions recognizing that fact.

"Actions brought to enforce contracts between private parties, relevant to patent rights, are not actions arising under the patent laws of the United States of which the federal courts have exclusive jurisdiction, and therefore they may properly be brought in State courts."



## CONCLUSION.

It is respectfully submitted that the true and real issue between the parties is one of compliance or non-compliance by Petitioner with its contractual obligations. There is no federal question involved, nor are the rights of the public nor any public interest involved.

There has been nothing either in the conduct of Respondent or in the adjudication of the Sixth Circuit Court of Appeals in the *France* case which in any way impairs the *prima facie* validity of any of the claims of the Daley *et al.* patent under which Petitioner is licensed.

If it should be judicially established by this court that a licensee under the patent providing for maintenance of price of the licensed product is freed of any estoppel which would otherwise restrain it from attacking the validity of the patent under which it is licensed, the effect of such a decision would be, we submit, greatly to discourage if not to inhibit the grant of any such licenses and thereby to eliminate competition which might otherwise arise.

Respectfully submitted,

THOMAS H. SHERIDAN,

135 So. La Salle Street,

Chicago, Illinois,

*Counsel for Respondent.*

**APPENDIX A.****Statute Involved.**

The Declaratory Judgment Act, of June 14, 1934, 48 Stat. 955, as amended (28 U. S. C. 400):

“(1) In cases of actual controversy except with respect to Federal taxes the courts of the United States shall have power upon petition, declaration, complaint, or other appropriate pleadings to declare rights and other legal relations of any interested party petitioning for such declaration, whether or not further relief is or could be prayed, and such declaration shall have the force and effect of a final judgment or decree and be reviewable as such.”



# SUPREME COURT OF THE UNITED STATES.

No. 45.—OCTOBER TERM, 1942.

Sola Electric Company, Petitioner,	{	On Writ of Certiorari to the United States Circuit Court of Appeals for the Seventh Circuit.
vs.		
Jefferson Electric Company.		

[December 7, 1942.]

Mr. Chief Justice STONE delivered the opinion of the Court.

The question for our decision is whether a patent licensee, by virtue of his license agreement, is estopped to challenge a price-fixing clause in the agreement by showing that the patent is invalid, and that the price restriction is accordingly unlawful because not protected by the patent monopoly.

Respondent brought the present suit in the District Court for the Northern District of Illinois, asserting diversity of citizenship, and alleging that it was the owner of Patent No. 1777256 for improvements in an electrical transformer; that it had entered into a license contract granting petitioner a non-exclusive license to manufacture and sell the patented transformers throughout the United States, its territories, dependencies and possessions, on payment of a stipulated royalty upon each transformer so manufactured and sold. The contract provided that the license was granted on condition that the "prices, terms, and conditions of sale, for use or sale" throughout the licensed territory should not be more favorable to petitioner's customers than those prescribed from time to time by respondent for its own sales and those of its other licensees. Respondent sought recovery of unpaid royalties and also an injunction restraining further sales except in conformity to the terms of the license agreement.

Petitioner by its answer admitted that it had manufactured two types of transformers, one covered by certain narrow claims of the patent, claims 8, 14 and 19, the validity of which it does not challenge, the other alleged to be covered by certain broader claims. Petitioner also filed a counterclaim alleging that the broad claims are invalid for want of novelty, as it asserted had



been recognized in the Sixth Circuit in *France Mfg. Co. v. Jefferson Electric Co.*, 106 F. 2d 605; and that respondent by reason of the price control provisions of the licensing contract and the invalidity of the broad claims was not entitled to recover royalties upon those transformers covered only by the broad claims. Petitioner accordingly prayed a declaratory judgment that most of the claims except 8, 14 and 19, are invalid, and for other relief.

The Circuit Court of Appeals for the Seventh Circuit affirmed the district court's order dismissing the counterclaim, 125 F. 2d 322, ruling that petitioner, having accepted a license under the patent, was estopped to deny its validity. And, treating the patent as valid, it held that the stipulation for control of the sales price of the patented articles manufactured by the licensee was a lawful exercise of the patent monopoly. We granted certiorari, 316 U. S. 652; the question being of importance to the administration of the patent laws and the Sherman Anti-Trust Act.

The circuit court of appeals, in holding that petitioner as a licensee was estopped to challenge the validity of the patent, did not say whether it considered that it was applying a rule of federal or of state law, and it cited no decisions of either the federal or the Illinois courts. Where no price-fixing stipulation was involved in the license contract, this rule of estoppel, which was not questioned by counsel, was applied without discussion in *United States v. Harvey Steel Co.*, 196 U. S. 310; cf. *Kinsman v. Parkhurst*, 18 How. 289. We need not decide whether in such a case the rule is one of local law, cf. *Dale Tile Mfg. Co. v. Hyatt*, 125 U. S. 46, 53-54, or whether, if it be regarded as a rule of federal law because the construction and application of the patent laws are involved, it was rightly applied in *United States v. Harvey Steel Co.*, *supra*. For here a different question is presented—whether the doctrine of estoppel as invoked below is so in conflict with the Sherman Act's prohibition of price-fixing that this Court may resolve the question even though its conclusion be contrary to that of a state court.

The present license contract contemplates and requires that petitioner, on sales of the licensed transformers throughout the United States, shall conform to the prices fixed by respondent for the sale of competing patented articles by other licensees and by respondent. Such a restriction on the price of articles entering interstate commerce is a violation of the Sherman Act.

have only as it is within the protection of a lawfully granted patent monopoly. See *United States v. Univis Lens Co.*, 316 U. S. 241, 250, and cases cited; *United States v. Masonite Corp.*, 316 U. S. 265, 275-77. Agreements fixing the competitive sales price of articles moving interstate, not within the protection of a patent, are unlawful because prohibited by the Sherman Act.

It is familiar doctrine that the prohibition of a federal statute may not be set at naught, or its benefits denied, by state statutes or state common law rules. In such a case our decision is not controlled by *Erie Railroad v. Tompkins*, 304 U. S. 64. There we followed state law because it was the law to be applied in the federal courts. But the doctrine of that case is inapplicable to those areas of judicial decision within which the policy of the law is so dominated by the sweep of federal statutes that legal relations which they affect must be deemed governed by federal law having its source in those statutes, rather than by local law. *Royal Indemnity Co. v. United States*, 313 U. S. 289, 296; *Prudence Corp. v. Geist*, 316 U. S. 89, 95; *Board of Comm'rs v. United States*, 308 U. S. 343, 349-50; cf. *O'Brien v. Western Union Telegraph Co.*, 113 F. 2d 539, 541. When a federal statute condemns an act as unlawful the extent and nature of the legal consequences of the condemnation, though left by the statute to judicial determination, are nevertheless federal questions, the answers to which are to be derived from the statute and the federal policy which it has adopted. To the federal statute and policy, conflicting state law and policy must yield. Constitution, Art. VI, cl. 2; *Awotin v. Atlas Exchange Bank*, 295 U. S. 209; *Dietrick v. Greaney*, 309 U. S. 190, 200-01.

The federal courts have been consistent in holding that local rules of estoppel will not be permitted to thwart the purposes of statutes of the United States. See, in the case of federal statutes governing interstate freight rates, *Pittsburgh, etc. Ry. Co. v. Fink*, 250 U. S. 577, 582-83; *Chesapeake & Ohio Ry. v. Martin*, 283 U. S. 209, 220-23; cf. *Atchison & Topeka Ry. v. Harold*, 241 U. S. 371; and federal statutes affecting national banks, *Awotin v. Atlas Exchange Bank*, *supra*; *Dietrick v. Greaney*, *supra*.

A state by applying its own law of specific performance may not compel the performance of a contract contemplating violation of the federal law, *Anderson v. Carkins*, 135 U. S. 483. Similarly this Court has declared that anyone sued upon a con-

tract may set up as a defense that it is in violation of the Sherman Act. *Bement v. National Harrow Co.*, 186 U. S. 70, 88. And it has proceeded on the assumption that whether the parties to an agreement in violation of the Act are *in pari delicto* is a question of federal, not state, law. *Harriman v. Northern Securities Co.*, 197 U. S. 244; *Eastman Co. v. Southern Photo Co.*, 273 U. S. 359, 376-78. It decided in *Continental Wall Paper Co. v. Voight & Sons Co.*, 212 U. S. 227, that a vendee of goods purchased from an illegal combination in pursuance of an illegal agreement, both in violation of the Sherman Act, can plead the illegality in defense to a suit for the purchase price. This decision went much further than it is necessary to go here to conclude that petitioner may assert the illegality of the price-fixing agreement and may offer any competent evidence to establish its illegality, including proof of the invalidity of the patent.

Local rules of estoppel which would fasten upon the public as well as the petitioner the burden of an agreement in violation of the Sherman Act must yield to the Act's declaration that such agreements are unlawful, and to the public policy of the Act which in the public interest precludes the enforcement of such unlawful agreements. Cf. *Morton Salt Co. v. Suppiger Co.*, 314 U. S. 488, 492-93.

*Reversed.*

A true copy.

Test:

*Clerk, Supreme Court, U. S.*

